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IN THE

SUPREME COURT of the UNITED STATES

OCTOBER TERM, 1978

Case No. 78-1004

DAVID L. HEILMAN and E-C TAPE SERVICE, INC., a Wisconsin Corporation,

Petitioners,

vs.

GRIFFIN B. BELL, Attorney General of the United States of America, his agents, servants, employees, attorneys, successors and all those persons in active concert or participation with them,

Respondents.

Petition for Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

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IN THE

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OCTOBER TERM, 1978

Case No. .....

DAVID L. HEILMAN and E-C TAPE SERVICE, INC., a Wisconsin Corporation,

Petitioners,

vs.

GRIFFIN B. BELL, Attorney General of the United States of America, his agents, servants, employees, attorneys, successors and all those persons in active concert or participation with them,

Respondents.

Petition for Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

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To the Honorable the Chief Justice of the Supreme Court of the United States and the Associate Justices of the Supreme Court of the United States:

This is the petition of David L. Heilman and E-C Tape Service, Inc. for a writ of certiorari to review the judgment of the United States Court of Appeals for the Seventh Circuit in the above-entitled case.

Opinions Delivered in Courts Below

The opinion of the United States District Court for the Eastern District of Wisconsin is reported at 434 F. Supp. 564 (E.D. Wis. 1977); it also is printed in the appendix to this petition at App. 122. The opinion of the United States Court of Appeals for the Seventh Circuit has not yet been reported; it is printed in the appendix to this petition at App. 131. The order of the Court of Appeals denying a Petition for Rehearing En Banc is printed at App. 141.

Jurisdictional Statement

The opinion, order and judgment of the Seventh Circuit Court of Appeals sought to be reviewed were dated and entered September 6, 1978. (App. 140.) The petition of David L. Heilman and E-C Tape Service, Inc. for a rehearing of said opinion, order and judgment was filed with the Court of Appeals September 20, 1978; the order denying said petition was dated and entered October 5, 1978. (App. 141.) The judgment of the Court of Appeals in this case is a final judgment. The statutory provision believed to confer jurisdiction on this Supreme Court to review this case is 28 U.S.C. 1254(1).

Questions Presented for Review

Did the copyright law, and in particular 17 U.S.C. sec. 1(e), prior to its amendment by Congress in 1971, extend a copyright protection to sound recordings by way of granting control over such recordings to the owners of composition copyrights?

Did the copyright law, and in particular 17 U.S.C. secs. 1(e) and 101(e), prior to their amendment by Congress in 1976, effective as of 1978, make the unauthorized duplication of sound recordings made before February 15, 1972, a crime?

Constitutional Provisions and Statutes Involved

This case concerns the interpretation and application of 17 U.S.C. secs. 1(e), 101(e) and 104 (as amended Oct. 15, 1971). The ruling of the Circuit Court of Appeals below, as it relates to the criminal prosecution of David Heilman, involves the prohibition against ex post facto laws and constitutionally secured due process of law, U.S. Const art. I, sec. 9 and amend. V. These statutory and constitutional provisions are printed in the Addendum to this Petition for Writ of Certiorari.

Statement of the Case

A. *Nature of This Case.*

This is a copyright case. David L. Heilman and E-C Tape Service, Inc., the corporation of which he was president, were engaged in the business of producing and marketing anthologies of selections from popular musical recordings made before February 15, 1972.

Prior to commencement of the litigation at hand the Attorney General threatened to prosecute Heilman and E-C Tape for willful infringement of copyrights in violation of 17 U.S.C. secs. 1(e), 101(e) and 104. Heilman and E-C Tape sought a declaratory judgment that their activities did not constitute a violation of the copyright laws, and injunctive relief against the Attorney General.

Initially, the District Court denied Heilman and E-C Tape's motion for a temporary restraining order, preliminary injunction and three-judge court. *Heilman v. Levi*, 391 F. Supp. 1106 (E.D. Wis. 1975). Both parties then made motions for summary judgment. While these motions were pending, the Attorney General instituted criminal proceedings against Heilman in the Northern District of Illinois. *United States v. Heilman*, Case No. 77-CR-323 (N.D. Ill., filed Mar. 31, 1977). Thereafter, the District Court for the Eastern District of Wisconsin denied Heilman and E-C Tape's motion, granted the Attorney General's motion and dismissed the action on its merits. *Heilman v. Bell*, 434 F. Supp. 564 (E.D. Wis. 1977). The Court of Appeals for the Seventh Circuit affirmed this ruling. Case No. 77-1968 (7th Cir. Sept. 6, 1978).

B. *Statement of the Facts.*

The facts of the case, as set forth in the Affidavits of David L. Heilman (App. 110-113, 116-121), are not disputed. David Heilman is a businessman and was president of E-C Tape Service, Inc., until April, 1976.

The recording industry in which he was involved is controlled principally by large record companies. (App. 112, 119.) Each large recording company owns one or more publishing companies. These publishing companies in turn own the copyrights on numerous compositions. In addition, the recording companies own contracts with recording artists. Typically these contracts provide that all the costs of record production, except for the cost of record pressing (32 to 37 cents per album), are charged against the royalties payable to the artists. In addition, the unrecovered costs of one record can be, and frequently are, charged against the royalties of any subsequent record. These contracts typically last for seven years. (App. 112-113.) By these methods the major recording companies have gained control over 80% of the major copyrights of musical compositions. (App. 118-119.)

E-C Tape was engaged in the business of producing and marketing original anthologies of recorded music. In producing these anthologies only music that was recorded or "fixed" prior to February 15, 1972, was utilized. These recordings were based on *compositions* protected by the copyright laws. With respect to all such copyrights Heilman and E-C Tape tendered the two cents per copy royalty in compliance with 17 U.S.C. sec. 1(e). Some 27 copyright holders accepted the royalty payments; 127 others refused to accept the payments. (App. 111-112, 116-117.)

The anthologies were produced and marketed on the basis of the appeal generated by their original and unique themes and formats. A theme was conceived for which there was an adequate market. Records and tapes containing the desired selections were obtained. The selections were duplicated and recorded in the new format, sequence and combination. The anthologies produced in this manner were subject to the copyrights owned by E-C Tape pursuant to 17 U.S.C. sec. 7. The anthologies were then marketed as reel-to-reel tapes, cassettes, 8-track tapes and records, at prices about equal to that of the original recordings. The anthologies often presented selections in a medium, such as 8-track tape recording, in which they were not otherwise available; some were not available in any other form. (App. 111, 117.)

Prior to entering into this business activity Heilman sought the advice of counsel concerning its legality. All of the attorneys he consulted advised him that, if he paid or tendered payment of the compulsory license fee or royalty provided for at 17 U.S.C. sec. 1(e), to the composition copyright owner, his duplication of musical recordings would not be in violation of the copyright law. (App. 117.)

Thereafter, in October, 1971, Congress amended the copyright law and for the first time created a copyright interest in the sound recordings themselves. This amendment was effective as of February 15, 1972. Pub L. 92-140, 85 Stat. 391 (Oct. 15, 1971). In addition and at the same time, Congress made the unauthorized duplication of *copyrighted* recordings fixed after February 15, 1972, a crime, and, further, made "criminal sanction immediately available to prevent piracy of already existing recordings of copyrighted musical works *where the pirate does not*

pay the statutory royalty to the holder of the musical copyright". H.R. Rep. No. 92-487, 92nd Cong., 1st Sess. 9 (1971) (emphasis added).

After passage of Pub. L. 92-140 Heilman again sought the advice of legal counsel, who advised him that sound recordings made or "fixed" prior to February 15, 1972, had not been afforded copyright protection by Pub. L. 92-140, and that, provided the statutory royalty was paid or tendered, the duplication of such recordings was not unlawful. The Criminal Division of the United States Justice Department was of the same opinion, publishing in April, 1973, a pamphlet entitled "Copyright Protection of Sound Recordings", in which it declared that the unauthorized duplication of sound recordings "fixed" prior to February 15, 1972, was not unlawful. (App. 117-118.)

At about the same time this United States Supreme Court reviewed 17 U.S.C. sec. 1(e), as amended, to determine whether or not Congress had pre-empted state legislation granting copyright protection to sound recordings fixed prior to February 15, 1972. The Court concluded there was no federal copyright protection for such recordings and, therefore, the state law in question was proper. *Goldstein v. California*, 412 U.S. 546, 568, 571 (1973). In reaching this conclusion the Court discussed the extent of the *composition copyright* interest and determined that "composers were to have *no control* over the *recordings* themselves". Id. at 566 (emphasis added).

Subsequently, on September 3, 1976, Congress, once again amending 17 U.S.C. sec. 1(e), Pub. L. 94-553, 90 Stat. 2541 (Oct. 19, 1976), for the first time expressed an understanding that the unauthorized duplication of sound

recordings "fixed" prior to February 15, 1972, might not have been lawful. Stating that its 1976 amendments dealt with "three *doubtful* questions under the *present law*", it went on to say as follows:

> "The basic intent of this sentence is to *make clear* that a person is not entitled to a compulsory license of copyrighted musical works for the purpose of making an unauthorized duplication of a musical sound recording originally developed and produced by another. It is the view of the Committee that such was the original intent of the Congress in enacting the 1909 Copyright Act, and it has been so construed by the 3rd, 5th, 9th and 10th Circuits . . . ." H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 107-108 (1976) (emphasis added).

This clarification came too late for David Heilman.

On March 31, 1977, a criminal indictment was filed against him in the Northern District of Illinois. This indictment alleged that when David Heilman, two years earlier, on May 15, 1975, duplicated certain sound recordings that had been fixed prior to February 15, 1972, he had committed a criminal act, notwithstanding that he had paid or tendered payment of the compulsory royalty or license fee provided for at 17 U.S.C. sec. 1(e). This prosecution presently is pending in the United States District Court for the Northern District of Illinois. *United States v. Heilman*, Case No. 77-CR-323.

Reasons for Allowance of the Writ

INTRODUCTION

In 1971 Congress amended 17 U.S.C. sec. 1(e), effective as of February 15, 1972. With this amendment copyright protection, for the first time, was extended to sound recordings themselves. At the same time, the duplication of recordings in violation of the copyright law, that is, those "fixed" after February 15, 1972, H.R. Rep. No. 92-487 at 9, was made a crime. Pub. L. 92-140.

In 1976 Congress again amended 17 U.S.C. sec. 1(e). This time, effective as of January 1, 1978 dealing with "three doubtful questions under the present law", Congress made "clear" that an "unauthorized duplication of a musical sound recording originally developed and produced by another", regardless of when the recording was fixed, H.R. Rep. No. 94-1476, is unlawful. Pub. L. 94-553.

Poor Congress! All of its effort was unnecessary. Four Circuit Courts of Appeal, now joined by the Court of Appeals for the Seventh Circuit in the case at hand, already had effected these changes in the copyright law. *Fame Publishing Co. v. Alabama Custom Tape, Inc.*, 507 F.2d 667 (5th Cir. 1975), cert denied, 423 U.S. 841 (1975); *Jondora Music Publishing Co. v. Melody Recordings, Inc.*, 506 F.2d 392 (3rd Cir. 1975), cert. denied, 421 U.S. 1012 (1975); *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc.*, 497 F.2d 285, aff'd on rehearing en banc, 497 F.2d 292 (10th Cir. 1974), cert. denied, 419 U.S. 1120 (1975); *Duchess Music Corp. v. Stern*, 458 F.2d 1305 (9th Cir. 1972), cert. denied, 409 U.S. 847 (1972).

I. "THE RICH GET RICHER . . ." (THE EFFECT OF THE CIRCUIT COURT DECISION IN QUESTION IS TO CREATE THE CONDITIONS FOR AN ILLEGAL TYING ARRANGEMENT AND TO DEPRIVE THE PUBLIC OF FREE ACCESS TO THE RECORDINGS OF DECEASED OR NO LONGER "POPULAR" ARTISTS).

A. The ruling of the Circuit Court of Appeals in this case was illogical and would tend to deprive the public of free access to the recordings of its choice.

Notwithstanding the lack of any statutory basis for it, the Courts in these cases ruled that the duplication of a recording of an original licensee is not a "similar use" of the underlying musical composition, as that term is used relative to the compulsory license provisions of 17 U.S.C. sec. 1(e). Accordingly, such a duplication of the original recording, if done without the permission of the composition copyright holder, would be an unauthorized use of the composition. The result, of course, was a copyright control over sound recordings, granted to the composition copyright owner!

A total of 24 district court and court of appeals judges now have passed on this issue. Nine have dissented from the conclusion reached by the majority, and with good reason.

Given the majority ruling in these cases, any copyright holder who allowed the recording of a performance of his musical idea could not prevent subsequent recordings using his *composition* and was obliged to accept the statutory royalty. After the original recording, the composition was available at the price of two cents per tape or record. The copyright holder's interest in the *recording*, however, was not so limited.

It was not subject to the compulsory license provision and the copyright holder could withhold the right to use the recording until an acceptable price was tendered. The copyrighted musical creation which the copyright holder either composed or purchased, could be used merely by paying the copyright holder two cents per copy, but the recording produced and performed by the copyright holder's licensee could not be used without first paying that holder of the composition copyright for the release of the cause of action created by the Circuit Court decisions in question. Although the copyright holder may have had no involvement in the expense or artistic contribution involved in producing, performing or engineering a recording, it is he who had a cause of action against anyone using the recording without his permission.

The absurdity of this is most apparent when the recordings of performances by deceased artists are considered. Suppose a party wished to reissue or duplicate a recording of a deceased artist, say Bing Crosby or Judy Garland, that had been fixed before February 15, 1972. The recording company, in its own right, could not prevent the reissue, because its interest in the recording could have no copyright protection.The holder of the composition copyright relating to the music utilized in the recording, however, could prevent the reissuance, because the reissuance only could be achieved by duplicating the original recording. The copyright holder could, of course, release his rights for whatever consideration he chose to demand. The

copyright holder thus was permitted to appropriate to himself whatever contribution may have been made by the recording company in arranging the recording by the since deceased artist. The recording company had no protection, no rights enforceable against the composer, except for such contractual rights as it may have negotiated with him.[1]

The Seventh Circuit Court of Appeals recognized this anomaly. But it justified its holding nonetheless, rationalizing that it at least "continues to avoid *complete* composer *control* over who may record" (emphasis added). (App. 135.) However, this Supreme Court held that under 17 U.S.C. 1(e) "composers were to have *no control* over the recordings". *Goldstein v. California*, 412 U.S. at 566.

The rationale and ruling of the Circuit Court majority below ½is inconsistent in the determination of this Court. That ruling also is inconsistent with Congress' intent as indicated in the legislative history. H.R. Rep. 2222, 60th Cong., 2d Sess. 6-7, 9 (1909). See *Capitol Records v. Mercury Records Corp.*, 221 F. 2d 657, 660-661 (2nd Cir. 1955); 1 M. NIMMER, NIMMER ON COPYRIGHT 430-434 (1976); B. RINGER, *The Unauthorized Duplication of Sound Recordings*, in 1 STUDIES ON COPYRIGHT 119 (1957).

In addition to being illogical, the ruling of the Circuit Court below is against the public interest. The recording industry is dominated by a few major companies that control access to recordings and recording artists. (App. 112-

[1]The general acceptance in the recording industry of this state of affairs created by the Court of Appeals' decisions was a natural consequence of the fact that the recording companies *own* the publishing companies, which in turn own the composition copyrights. (App. 112-113.)

113, 118-119.) The result? "There is a large body of material there that is pretty well kept out of the public's access." *Hearings on H.R. 2223. Before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the House Committee on the the Judiciary*, 94th Cong. 1st Sess., ser 36, pt. 3, at 1906 (1975) (testimony of Barbara Ringer, Register of Copyrights). By granting control of recordings to the composition copyright owners, which in turn are controlled by the large recording companies (App. 112-113), the ruling below tends to yet further deprive the public of free access to the recordings of deceased artists or those no longer "popular".

B. The ruling of the Court of Appeals created the conditions for illegal tying arrangements that conflict with the purposes of the Sherman Act.

Every copyright is a small monopoly and an exemption from the anti-trust laws. Such exemptions must be narrowly construed and not implied beyond the letter of the law. *Federal Maritime Commission v. Seatrain Lines, Inc.*, 411 U.S. 726, 733 (1973).

The ruling of the Circuit Court created the conditions for classic tying arrangements contrary to the purposes of the Sherman Act. 15 U.S.C. sec. 1. It would permit, almost invite, the large recording companies and their publishing companies and their publishing houses to tie the use of the uncopyrighted product, the recording, to the copyrighted product, the composition. The tying arrangement would be the obvious device to attempt to extend the limited monopoly granted by Congress to other markets. Such arrangements were originally declared illegal under the patent laws and now are held to be *per se* violations of

the anti-trust laws. See., e.g., *Northern Pacific Railway v. United States*, 356 U.S. 1, 5-6 (1958).

II. ". . . AND THE POOR GET POORER" (THE DECISION OF THE SEVENTH CIRCUIT COURT OF APPEALS IN THIS CASE SUBJECTS DAVID HEILMAN TO THE TENDER MERCIES OF A CRIMINAL PROSECUTION FOR ACTS NOT DECLARED TO BE CRIMINAL BY THE CONGRESS UNTIL AFTER HE HAD DONE THEM).

As it concerns the criminal law, the usual practice is that a legislative body adopts legislation creating a crime, following which the courts strictly construe and apply that law. Indeed, under our system, it is axiomatic that it is the legislature and not the courts that has the power to make acts criminal. E.g., *United States v. McClain*, 545 F.2d 988, 995-996 (5th Cir. 1977). In the case at hand, however, the usual practice has been turned on its head.

Here, relying on ad hoc judicial interpretations of the civil provisions of the copyright law, the legislature has amended that law, including its criminal application, to "make clear" that the courts' construction was correct. Thus the definition of a crime is based on judicial application in a civil context of the term, "similar use".

The result is the criminal prosecution of David Heilman for acts which when they were done had not been declared by Congress to be a crime. Indeed, at best, Congress considered the issue to be "doubtful . . . under the present law". H.R. Rep. No. 94-1476 at 107-108.

In the process, basic rules regarding the construction of criminal statutes — that they are to be strictly construed, e.g., *United States v. Campos-Serrano*, 404 U.S. 293, 297 (1971), that any ambiguity concerning their ambit should be resolved in favor of lenity, e.g., *United States v. Massini*, 565 F. 2d 1297, 1306-1307 (5th Cir. 1978); *United States v. Isaacs*, 493 F.2d 1124, 1147 (7th Cir. 1974), have been ignored. Under our system, a man is not supposed to have to guess, at his peril, which interpretation of a criminal statute is the correct one. To require him to do so, as happened here, has the same effect as an ex post facto law and constitutes a denial of due process of law, in violation of U.S. Const. art. I, sec. 9 and amend. V.

Under these circumstances, where Congress itself did not "make clear" its intent regarding a "doubtful" question of copyright law until after David Heilman had done the acts which now are alleged to justify a criminal prosecution, he should not be required to endure a criminal trial in order to prove his lack of criminal intent. In this case, where even the Criminal Division of the Justice Department at one time agreed with his reading of the law (App. 117-118), judicial interpretations of statutory language in a civil setting should not be grafted onto a criminal statute to make criminal acts which at the time they were done were not considered by Congress to be criminal.

CONCLUSION

The ruling of the Court of Appeals for the Seventh Circuit in this case, as it concerns sound recordings fixed prior to February 15, 1972, is inconsistent with the legislative history, H.R. Rep. No. 92-487 at 9, contrary to this Court's determination in *Goldstein v. California*, 412 U.S. at 566, that composition copyright holders were to have

"no control" over the recordings themselves, and is bad public policy because it entrenches the large recording companies in their dominant market position and deprives the public of free access to music of its own choosing.

More importantly, as it concerns David Heilman the individual, that ruling requires him to face a criminal prosecution for acts that were not considered criminal at the time they were done. For these reasons it is asked that the Supreme Court of the United States grant this petition for writ of certiorari.

Respectfully Submitted,

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ADDENDUM

UNITED SSTATES CONSTITUTION

ARTICLE I. SECTION 9. CLAUSE 3

No Bill of Attainder or ex post facto Law shall be passed.

AMENDMENT V

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

Public Law 92-140
92nd Congress, S. 646
October 15, 1971

An Act

To amend title 17 of the United States Code to provide for the creation of a limited copyright in sound recordings for the purpose of protecting against unauthorized duplication and piracy of sound recording, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 17 of the United States Code is amended in the following respects:

Sound recordings. Copyright. Limitations. 61 Stat. 652; 66 Stat. 752.

(a) In section 1, title 17, of the United States Code, add a subsection (f) to read:

"To reproduce and distribute to the public by sale or other transfer of ownership, or by rental, lease, or lending, reproductions of the copyrighted work if it be a sound recording: *Provided*, That the exclusive right of the owner of a copyright in a sound recording to reproduce it is limited to the right to duplicate the sound recording in a tangible form that directly or indirectly recaptures the actual sounds fixed in the recording: *Provided further*, That this right does not extend to the making or duplication of another sound recording that is an independent fixation of other sounds, even though such sounds imitate or simulate those in the copyrighted sound recording; or to reproductions made by transmitting organizations exclusively for their own use."

(b) In section 5, title 17, of the United States Code, add a subsection (n) to read:

"Sound recordings."

Copyright notice, form. 68 Stat. 1032.

(c) In section 19, title 17, of the United States Code, add the following at the end of the section: "In the case of reproductions of works specified in subsection (n) of section 5 of this title, the notice shall consist of the symbol Ⓟ (the letter P in a circle), the year of first publication of the sound recording, and the name of the owner of copyright in the sound recording, or an abbreviation by which the name can be recognized, or a generally known alternative designation of the owner: *Provided*, That if the producer of the sound recording is named on the labels or containers of the reproduction, and if no other name appears in conjunction with the notice, his name shall be considered a part of the notice."

Notice, location.

(d) In section 20, title 17, of the United States Code, amend the first sentence to read: "The notice of copyright shall be applied, in the case of a book or other printed publication, upon its title page or the page immediately following, or if a periodical either upon the title page or upon the first page of text of each separate number or under the title heading, or if a musical work either upon its title page or the first page of music, or if a sound recording on the surface of reproductions thereof or on the label or container in such manner and location as to give reasonable notice of the claim of copyright."

Definitions.

(e) In section 26, title 17, of the United States Code, add the following at the end of the section: "For the purposes of this section and sections 10, 11, 13, 14, 21, 101, 106, 109, 209, 215, but not for any other purpose, a reproduction of a work described in subsection 5(n) shall be considered to be a copy thereof. 'Sound recordings' are works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture. 'Reproductions of sound recordings' are material objects in which sounds

Supra.

other than those accompanying a motion picture are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device, and include the 'parts

of instruments serving to reproduce mechanically the musical work', 'mechanical reproductions', and 'interchangeable parts, such as discs or tapes for use in mechanical music-producing machines' referred to in sections 1(e) and 101(e) of this title."

61 Stat. 652. 17 USC 1. Infra.

SEC. 2. That title 17 of the United States Code is further amended in the following respect:

Copyrighted music, unauthorized use. 61 Stat. 661.

In section 101, title 17 of the United States Code, delete subsection (e) in its entirety and substitute the following:

"(e) INTERCHANGEABLE PARTS FOR USE IN MECHANICAL MUSIC-PRODUCING MACHINES.—Interchangeable parts, such as discs or tapes for use in mechanical music-producing machines adapted to reproduce copyrighted musical works, shall be considered copies of the copyrighted musical works which they serve to reproduce mechanically for the purposes of this section 101 and sections 106 and 109 of this title, and the unauthorized manufacture, use, or sale of such interchangeable parts shall constitute an infringement of the copyrighted work rendering the infringer liable in accordance with all provisions of this title dealing with infringements of copyright and, in a case of willful infringement for profit, to criminal prosecution pursuant to section 104 of this title. Whenever any person, in the absence of a license agreement, intends to use a copyrighted musical composition upon the parts of instruments serving to reproduce mechanically the musical work, relying upon the compulsory license provision of this title, he shall serve notice of such intention, by registered mail, upon the copyright proprietor at his last address disclosed by the records of the copyright office, sending to the copyright office a duplicate of such notice."

Notice.

Effective dates.

SEC. 3. This Act shall take effect four months after its enactment except that section 2 of this Act shall take effect immediately upon its enactment. The provisions of title 17, United States Code, as amended by section 1 of this Act, shall apply only to sound recordings fixed, published, and copyrighted on and after the effective date of this Act and before January 1, 1975, and nothing in title 17, United States Code, as amended by section 1 of this Act, shall be applied retroactively or be construed as affecting in any way any rights with respect to sound recordings fixed before the effective date of this Act.

Approved October 15, 1971.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 92-487 (Comm. on the Judiciary).
SENATE REPORT No. 92-72 (Comm. on the Judiciary).
CONGRESSIONAL RECORD, Vol. 117 (1971):
Apr. 29, considered and passed Senate.
Oct. 4, considered and passed House, amended.
Oct. 6, Senate agreed to House amendments.

TITLE 17 UNITED STATES CODE
COPYRIGHTS
(AS AMENDED OCTOBER 15, 1971)

§ 1. EXCLUSIVE RIGHTS AS TO COPYRIGHTED WORKS.—Any person entitled thereto, upon complying with the provisions of this title, shall have the exclusive right:

(a) To print, reprint, publish, copy, and vend the copyrighted work;

(b) To translate the copyrighted work into other languages or dialects, or make any other version thereof, if it be a literary work; to dramatize it if it be a nondramatic work; to convert it into a novel or other nondramatic work if it be a drama; to arrange or adapt it if it be a musical work; to complete, execute, and finish it if it be a model or design for a work of art;

(c) To deliver, authorize the delivery of, read, or present the copyrighted work in public for profit if it be a lecture, sermon, address or similar production, or other nondramatic literary work; to make or procure the making of any transcription or record thereof by or from which, in whole or in part, it may in any manner or by any method be exhibited, delivered, presented, produced, or reproduced; and to play or perform it in public for profit, and to exhibit, represent, produce, or reproduce it in any manner or by any method whatsoever. The damages for the infringement by broadcast of any work referred to in this subsection shall not exceed the sum of $100 where the infringing broadcaster shows that he was not aware that he was infringing and that such infringement could not have been reasonably foreseen; and

(d) To perform or represent the copyrighted work publicly if it be a drama or, if it be a dramatic work and not reproduced in copies for sale, to vend any manuscript or any record whatsoever thereof; to make or to procure the making of any transcription or record thereof by or from which, in whole or in part, it may in any manner or by any method be exhibited, performed, represented, produced, or reproduced; and to exhibit, perform, represent, produce, or reproduce it in any manner or by any method whatsoever; and

(e) To perform the copyrighted work publicly for profit if it be a musical composition; and for the purpose of public performance for profit, and for the purposes set forth in subsection (a) hereof, to make any arrangement or setting of it or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it may be read or reproduced: *Provided*, That the provisions of this title, so far as they secure copyright controlling the parts of instruments serving to reproduce mechanically

the musical work, shall include only compositions published and copyrighted after July 1, 1909, and shall not include the works of a foreign author or composer unless the foreign state or nation of which such author or composer is a citizen or subject grants, either by treaty, convention, agreement, or law, to citizens of the United States similar rights. And as a condition of extending the copyright control to such mechanical reproductions, that whenever the owner of a musical copyright has used or permitted or knowingly acquiesced in the use of the copyrighted work upon the parts of instruments serving to reproduce mechanically the musical work, any other person may make similar use of the copyrighted work upon the payment to the copyright proprietor of a royalty of 2 cents on each such part manufactured, to be paid by the manufacturer thereof; and the copyright proprietor may require, and if so the manufacturer shall furnish, a report under oath on the 20th day of each month on the number of parts of instruments manufactured during the previous month serving to reproduce mechanically said musical work, and royalties shall be due on the parts manufactured during any month upon the 20th of the next succeeding month. The payment of the royalty provided for by this section shall free the articles or devices for which such royalty has been paid from further contribution to the copyright except in case of public performance for profit. It shall be the duty of the copyright owner, if he uses the musical composition himself for the manufacture of parts of instruments serving to reproduce mechanically the musical work, or licenses others to do so, to file notice thereof, accompanied by a recording fee, in the copyright office, and any failure to file such notice shall be a complete defense to any suit, action, or proceeding for any infringement of such copyright.

In case of failure of such manufacturer to pay to the copyright proprietor within thirty days after demand in writing the full sum of royalties due at said rate at the date of such demand, the court may award taxable costs to the plaintiff and a reasonable counsel fee, and the court may, in its discretion, enter judgment therein for any sum in addition over the amount found to be due as royalty in accordance with the terms of this title, not exceeding three times such amount.

The reproduction or rendition of a musical composition by or upon coin-operated machines shall not be deemed a public performance for profit unless a fee is charged for admission to the place where such reproduction or rendition occurs.

(f) To reproduce and distribute to the public by sale or other transfer of ownership, or by rental, lease, or lending, reproductions of the copyrighted work if it be a sound recording: *Provided*, That the exclusive right of the owner of a copyright in a sound recording to reproduce it is limited to the right to duplicate the sound recording

in a tangible form that directly or indirectly recaptures the actual sounds fixed in the recording: *Provided further*, That this right does not extend to the making or duplication of another sound recording that is an independent fixation of other sounds, even though such sounds imitate or simulate those in the copyrighted sound recording; or to reproductions made by transmitting organizations exclusively for their own use.

. . . .

(e) INTERCHANGEABLE PARTS FOR USE IN MECHANICAL MUSIC-PRODUCING MACHINES.—Interchangeable parts, such as discs or tapes for use in mechanical music-producing machines adapted to reproduce copyrighted musical works, shall be considered copies of the copyrighted musical works which they serve to reproduce mechanically for the purposes of this section 101 and sections 106 and 109 of this title, and the unauthorized manufacture, use, or sale of such interchangeable parts shall constitute an infringement of the copyrighted work rendering the infringer liable in accordance with all provisions of this title dealing with infringements of copyright and, in a case of willful infringement for profit, to criminal prosecution pursuant to section 104 of this title. Whenever any person, in the absence of a license agreement, intends to use a copyrighted musical composition upon the parts of instruments serving to reproduce mechanically the musical work, relying upon the compulsory license provision of this title, he shall serve notice of such intention, by registered mail, upon the copyright proprietor at his last address disclosed by the records of the copyright office, sending to the copyright office a duplicate of such notice.

. . . .

§ 104. Willful infringement for profit

Any person who willfully and for profit shall infringe any copyright secured by this title, or who shall knowingly and willfully aid or abet such infringement, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by imprisonment for not exceeding one year or by a fine of not less than $100 nor more than $1,000, or both, in the discretion of the court: *Provided, however*, That nothing in this title shall be so construed as to prevent the performance of religious or secular works such as oratorios, cantatas, masses, or octavo choruses by public schools, church choirs, or vocal societies, rented, borrowed, or obtained from some public library, public school, church choir, school choir, or vocal society, provided the performance is given for charitable or educational purposes and not for profit. July 30, 1947, c. 391, § 1, 61 Stat. 652.

Supreme Court, U. S.
FILED
DEC 20 1978
MICHAEL RODAK, JR., CLERK

IN THE

SUPREME COURT of the UNITED STATES

OCTOBER TERM, 1978

Case No. ...78-1004

DAVID L. HEILMAN and E-C TAPE SERVICE, INC., a Wisconsin Corporation,

Petitioners,

vs.

GRIFFIN B. BELL, Attorney General of the United States of America, his agents, servants, employees, attorneys, successors and all those persons in active concert or participation with them.

Respondents.

Appendix to Petition for Writ of Certiorari

RICHARD L. CATES
BRUCE F. EHLKE

LAWTON & CATES
110 East Main Street
Madison, Wisconsin 53703
Attorneys for Petitioners

GUILD PRINTING MADISON WIS

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101

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF WISCONSIN

DAVID L. HEILMAN and
E-C TAPE SERVICE, INC.,
a Wisconsin corporation,

Plaintiffs,

vs.

EDWARD H. LEVI, Attorney General of the United States of America, his agents, servants, employes, attorneys, successors and all those persons in active concert or participation with them,

Defendants.

COMPLAINT 75-C-117

Civil Action File No.:

[Equitable Relief Sought]

The plaintiffs DAVID L. HEILMAN and E-C TAPE SERVICE, INC. by their attorneys SAMSON, FRIEBERT, FINERTY & BURNS by ROBERT H. FRIEBERT allege and show to the Court as follows:

1. This action is brought for declaratory and injunctive relief for a threatened prosecution of the plaintiffs for alleged violations of 17 U.S.C. §101(e) and §104 which threatened prosecution violates rights guaranteed to the plaintiffs by the First, Fourth and Fifth Amendments to the United States Constitution. The amount in controversy exceeds the sum of $10,000 exclusive of interest and costs.

2. Jurisdiction is founded upon 28 U.S.C. §§1331, 2201 and 2282.

3. The plaintiff DAVID L. HEILMAN resides in the Eastern District of Wisconsin and is the President of the plaintiff corporation E-C TAPE SERVICE, INC.

4. The plaintiff E-C TAPE SERVICE, INC. is a cor-

poration duly organized and existing under and by virtue of the laws of the State of Wisconsin with its principal place of business with respect to the matters involved in this case at Lake Villa, Illinois and is in the business of, among other things, manufacturing and selling phonograph records and magnetic tapes throughout the United States and in foreign countries. Its corporate headquarters and other business is conducted at 3695 North 126th Street, Brookfield, Wisconsin in the Eastern District of Wisconsin.

5. The defendant EDWARD H. LEVI is the Attorney General of the United States of America whose principal place of business is in the District of Columbia. This suit is brought against the Attorney General in his official capacity and his agents, servants, employes, attorneys, successors and all those persons in active concert or participation with them are made defendants herein.

6. The plaintiffs are engaged in the business of making and selling sound recordings in the form of records and tapes. The plaintiffs have purchased records and tapes on the open market which contain recordings which have been "fixed" prior to February 15, 1972 and which have been manufactured and sold through usual commercial channels by record companies. The plaintiffs then make compilation records and tapes from these sound recordings by grouping individual sides or cuts by classification and year, manufacture additional copies of their compilation and market and sell the compilations after affixing to each a label which contains the titles of the original sound recordings and the names of the recording artists whose performances have been copied. In accordance with the provisions of Public Law 92-140 (a

copy of which is attached hereto as Exhibit "A"), plaintiffs affix to the aforesaid compilations, in either tape or record form, the [P] copyright notice and register said compilation with the United States Copyright Office.

7. With respect to each and every song so used, plaintiffs have paid or tendered to the publisher the full statutory royalty to which it is entitled under the copyright law. 17 U.S.C. §1(e). (Copies of 17 U.S.C. §1(e), §101(e) and §104 are attached hereto as Exhibit "B"). Certain of the publishing companies (27 in number) have accepted said payments, while others (127) have refused to accept said payments. At all times, the plaintiffs have made all reasonable efforts to fully comply with all applicable provisions of the copyright law of the United States.

8. Prior to 1909 composers did not have any copyright interests in mechanical reproductions (records) of their songs. White-Smith Music Publishing Company v. Apollo Company, 209 U.S. 1 (1908). 43 Cong. Rec. 3765-3767 (March 3, 1909).

9. By Public Law 349, Chapter 320, 35 Stat. 1075, Act of March 4, 1909, as codified at 17 U.S.C. §1(e), Congress granted to the composer of songs a copyright interest in records. Congress conditioned that copyright grant with a proviso known as the compulsory license law whereby the composer must yield up his copyright interest upon receipt of a royalty of two cents per record which can be tendered to him by any manufacturer after the initial use of the song. 17 U.S.C. §1(e).

10. From 1909 until sometime in late 1974 or early 1975, it had been the position of the Department of Justice

of the United States of America as well as all other interested federal agencies that this statutory provision authorized duplicators of records such as the plaintiffs herein to pay the statutory royalty of two cents per record and thereby to obtain the right to duplicate compositions of composers which had been made into records. Prior to the enactment of Public Law 92-140 on October 15, 1971, composers could only resort to civil remedies for the collection of their two cents compulsory license royalty.

11. Public Law 92-140 at §2 created criminal sanctions for the first time for failure to remit the compulsory license royalty of two cents per record. 17 U.S.C. §101(e).

12. Throughout the proceedings which led to the enactment of §2 of Public Law 92-140, it was conceded by everybody that record duplicators such as the plaintiffs herein, could duplicate recordings upon payment of the two cents per record compulsory license royalty fee to the composers. Criminal sanctions were deemed necessary because many duplicators, other than the plaintiffs herein, did not remit the two cents and, therefore, civil sanctions were inadequate to meet the situation.

13. On June 29, 1971, the Department of Justice of the United States of America in a letter to the Chairman of the Judiciary Committee of the House of Representatives, the Honorable Emanuel Celler, stated the following with respect to this proposed bill:

> "However, since the bill provides that the amendment to 17 U.S.C. §101(e) will take effect immediately upon enactment, criminal sanctions would seem to be available to prevent further piracy of existing recordings where copyrighted music was used and the pirate does not pay the statutory royalty to the holder of the musical copyright."

14. The defendant through his agent, servant and employe, John Murphy, Chief of the Regulations Section of the Justice Department, publicly repudiated the prior position of the government as presented to Congress and announced that it is now the position of the Justice Department that persons such as the plaintiffs herein who duplicate sound recordings fixed prior to February 15, 1972 will be prosecuted pursuant to 17 U.S.C. §101(e) even though they pay or tender the two cents compulsory license fees to composers. This public announcement and threatened prosecution is contained in an issue of Billboard magazine dated March 8, 1975. A copy of the article is attached hereto as Exhibit "C".

15. The defendant by John Murphy also announced that property will be seized by the Federal Bureau of Investigation such as the property owned by the plaintiff corporation herein.

16. As a result of these threats of seizure and prosecution, the plaintiffs herein have ceased doing business as described above and now seek a declaration of the meaning of 17 U.S.C. §1(e), §101(e) and §104 and seek a declaration that the copyright laws do not prohibit the activities of the plaintiffs as described in any respect with respect to duplicating sound recordings fixed prior to February 15, 1972.

17. The proposed seizure of sound recordings and tapes as threatened by the defendant violates rights guaranteed to these plaintiffs by the First, Fourth and Fifth Amendments to the United States Constitution as a prior restraint on the freedom of speech as well as threats of illegal searches and seizures upon assertions that the products of the plaintiff corporation are contraband when Congress

has not declared the possession of such items to be illegal or the items themselves to be contraband.

18. The threatened prosecution of the plaintiffs by the defendant upon a recently changed interpretation by the Justice Department of laws which had received a different interpretation within all concerned branches of the government from 1909 until 1975, constitutes a denial to the plaintiffs of their right to due process of law in violation of the Fifth Amendment to the United States Constitution because the statutes involved, if subject to such wide variance in interpretations and meaning within the government is necessarily void for vagueness because men of reasonable ability, intelligence and experience must guess as to the meaning and application of said statutes. Furthermore, the plaintiffs are being denied notice with respect to what conduct of theirs is proper and what conduct is improper.

WHEREFORE, your plaintiffs pray for the following:

1. For a declaration of the rights, privileges and immunities of the plaintiffs, declaring that 17 U.S.C. §1(e), §101(e) and §104 are inapplicable to duplicators of songs fixed prior to February 15, 1972 who tender the two cents compulsory license fee or those sections are inapplicable to the duplicators of songs fixed prior to February 15, 1972 because such duplications do not constitute a use of the composers' copyright or the copyright interests of anyone else.

2. For a declaration that any interpretation which makes the plaintiffs criminally liable for duplicating sound recordings of songs fixed prior to February 15, 1972 upon tendering the two cents compulsory license royalty to composers would render the statutes involved unconstitutional.

3. For interlocutory and permanent injunctive relief enjoining the defendant and his agents, servants, employes, attorneys, successors and all those persons in active concert or participation with them from seizing records and tapes and other property owned by the plaintiffs in conjunction with their business activities involving recording and duplicating records and tapes and enjoining them from prosecuting the plaintiffs for alleged violations of 17 U.S.C. §101(e) or §104 when the plaintiffs have duplicated sound recordings of songs fixed prior to February 15, 1972 upon tendering the two cents compulsory license royalty fee to composers.

4. For such other further legal and equitable relief.

5. For costs and disbursements.

SAMSON, FRIEBERT, FINERTY & BURNS
By ROBERT H. FRIEBERT
Attorneys for Plaintiffs

P.O. ADDRESS:

710 North Plankinton Avenue
Milwaukee, Wisconsin 53203
(414) 271-0130

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF WISCONSIN

DAVID L. HEILMAN and E-C TAPE SERVICE, INC., a Wisconsin corporation, Plaintiffs, vs. EDWARD H. LEVI, Attorney General of the United States of America, his agents, servants, employes, attorneys, successors and all those persons in active concert or participation with them, Defendants.	Case No. 75-C-117 ANSWER

Now Comes Edward H. Levi, Attorney General of the United States of America, defendant above named, by his attorneys William J. Mulligan, United States Attorney for the Eastern District of Wisconsin by Joseph P. Stadtmueller, First Assistant United States Attorney for said District, and as and for his answer to plaintiff's complaint admits and denies as follows:

1. Defendants admit the allegations contained in paragraphs 3, 4, 5, 6, 8, 13 and 15 of the complaint.

2. Defendants deny each and every other allegation of the complaint and puts the plaintiffs to their proof thereon .

WHEREFORE, defendant demands judgment dismissing plaintiff's complaint together with the costs and disbursements in this action.

Dated at Milwaukee, Wisconsin this 6th day of May, 1975.

RECEIVED
MAY - 7 1975
HAMBON, FRICKERT, FINERTY & BURNS
ATTORNEYS AT LAW

WILLIAM J. MULLIGAN
United States Attorney

/s/ Joseph P. Stadtmueller
JOSEPH P. STADTMUELLER
First Assistant United States Attorney

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF WISCONSIN

* *

DAVID L. HEILMAN and
L-C TAPE SERVICE, INC.,
a Wisconsin corporation,

Plaintiffs,

vs. Case No. 75-C-117

EDWARD H. LEVI, Attorney General
of the United States of America,
his agents, servants, employes,
attorneys, successors and all
those persons in active concert
or participation with them,

Defendants.

* *

MOTION FOR SUMMARY JUDGMENT

* *

NOW COME the Plaintiffs, David L. Heilman and E-C Tape Service, Inc., by their attorneys, Lawton & Cates and Bruce F. Ehlke, and move the court to enter judgment in their favor pursuant to Rule 56, Federal Rules of Civil Procedure.

Dated this 12th day of July, 1976.

LAWTON & CATES

By:
Bruce F. Ehlke
110 East Main Street
Madison, WI 53703
Attorneys for Plaintiffs.

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF WISCONSIN

* *

DAVID L. HEILMAN and
E-C TAPE SERVICE, INC.,
a Wisconsin corporation,

Plaintiffs,

vs.

Case No. 75-C-117

EDWARD H. LEVI, Attorney General
of the United States of America,
his agents, servants, employes,
attorneys, successors and all
those persons in active concert
or participation with them,

Defendants.

* *

AFFIDAVIT IN SUPPORT OF
MOTION FOR SUMMARY JUDGMENT

* *

STATE OF WISCONSIN)
: ss.
MILWAUKEE COUNTY)

DAVID L. HEILMAN, after being first duly sworn, on oath deposes and says as follows:

1. That he is one of the Plaintiffs in the foregoing action and that he resides at 2172 North 45th Street, Milwaukee, Wisconsin.

2. That he was president of the Plaintiff corporation, E-C Tape Service, Inc. at all times material hereto, until April of 1976 when he resigned that position.

3. That the Plaintiff, E-C Tape Service, Inc., is a corporation organized and existing under the laws of the State of Wisconsin and had its corporate headquarters at 3695 North 126th Street, Brookfield, Wisconsin.

4. That E-C Tape Service, Inc. has engaged in the business of producing and marketing original anthologies of musical compositions previously recorded by others. This is accomplished by conceiving a theme and format for an anthology, obtaining records and tapes containing the desired selections, duplicating the desired selections, and finally re-recording them in an original format, sequence and combination. That although the individual selections in a given anthology are all reproduced from records and tapes, previously made by others, the anthologies themselves are new and original presentations of the material. All anthologies so created and produced by Plaintiffs are the subjects of compilation copyrights owned by E-C Tape Service, Inc. pursuant to 17 U.S.C. section 7.

5. That said anthologies are marketed on the basis of the appeal generated by their own themes and formats.

6. That many of the individual selections contained in the anthologies are not otherwise commercially available in any form, and those that are otherwise commercially available are frequently unavailable in the same form--that is, reel-to-reel tape, cassette, 8-track stereo, or record--as the anthologies.

7. That the anthologies created, produced and sold by Plaintiffs, were priced at $5.77 or $6.98 for cassettes and 8-track tapes, and at $4.98 or $5.98 for records.

8. That the anthologies produced by Plaintiffs contain duplications only of selections which were recorded or "fixed" prior to February 15, 1972.

9. That such recordings "fixed" prior to February 15, 1972, are not themselves protected by any copyright.

10. That the underlying musical compositions of such selections are protected by composition copyright subject to the compulsory license provision of 17 U.S.C. section 1(e).

11. That with respect to all selections used by Plaintiffs, Plaintiffs have paid or tendered to the composition copyright holder the two cent royalty as required by 17 U.S.C. section 1(e).

12. That of the composition copyright holders whose compositions have been used in Plaintiffs' anthologies, 27 have accepted said royalty payments while 127 have refused to accept said payments.

13. That affiant's experience in the record industry spans a period of over six years, during which time he has produced records and tapes and marketed records and tapes throughout the United States.

14. That based on affiant's experience in the recording industry, it is common practice for an individual composer to sell his composition to a publishing company. The publishing company in turn attempts to induce a recording company to record the composition. Commonly a recording company will own, as subsidiaries, one or more publishing companies. Thus, frequently, as to a given recording, any rights in the recording itself and the composition copyright are subjects of common ownership.

15. That based on affiant's experience in the recording industry, typical contracts between recording companies and recording artists are seven year contracts. These contracts generally provide that the recording costs--advertising, promotion, studio costs and other production costs--are charged to the recording artist and are collected from royalties payable to the artist. Generally, these contracts provide that if a given record is unsuccessful and the artist's royalties are insufficient to cover the recording costs, those costs are simply carried forward and charged against royalties from subsequent records by that artist. One of the few costs not usually charged to the artist is the cost of pressing the records.

Typically, that cost varies from about thirty-two cents per long play album to about thirty-nine cents per long play album, depending on volume. Typical contracts between recording companies and recording artists are attached hereto as Exhibit A and incorporated herein.

Dated this 12th day of July, 1976.

/s/ DAVID L. HEILMAN

Subscribed and sworn to before
me this 12th day of July, 1976.

/s/ Notary Public, Milwaukee County, WI

My Commission_____

[Exhibit A to Affidavit — not printed.]

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF WISCONSIN

DAVID L. HEILMAN and
E-C TAPE SERVICE, INC.,

Plaintiffs,

vs.

EDWARD H. LEVI, et al.,

Defendants.

MOTION FOR SUMMARY JUDGMENT

Civil No. 75-C-117

NOW COMES defendant, Edward H. Levi, by William J. Mulligan, United States Attorney for the Eastern District, by William E. Callahan, Jr., Assistant United States Attorney for said District, and, pursuant to Rule 56(b) of the Federal Rules of Civil Procedure, moves this Court for an Order granting summary judgment in his favor on the grounds that there is no genuine issue as to any material fact and he is entitled to judgment as a matter of law.

In support of this motion, said defendant relies on the attached memorandum of law, together with all other matters presently on file with this Court.

Dated at Milwaukee, Wisconsin, this 12 day of July, 1976.

WILLIAM J. MULLIGAN
United States Attorney

By: William E. Callahan

WILLIAM E. CALLAHAN, JR.
Assistant United States Attorney

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF WISCONSIN

DAVID L. HEILMAN and
E-C TAPE SERVICE, INC.,
A Wisconsin Corporation,

Plaintiffs,

-vs-

EDWARD H. LEVI, Attorney General of the United States of America, his agents, servants, employees, attorneys, successors and all those persons in active concert or participation with them,

Defendants.

MOTION FOR PRELIMINARY INJUNCTION

Case No. 75-C-117

NOW COME the Plaintiffs, David L. Heilman and E-C Tape Service, Inc., by their attorneys, LAWTON & CATES and Bruce F. Ehlke, and move the Court to grant a preliminary injunction against prosecution in the Northen District of Illinois, Eastern Division, or any other forum for alleged violations of 17 U.S.C. §§1, 101(e) and 104; and 18 U.S.C. §1341, pending final disposition of the above captioned action which was filed by Plaintiffs on March 7, 1975, in the United States District Court for the Eastern District of Wisconsin asking for a declaratory ruling and injunctive relief against threatened prosecution of Plaintiff for alleged violations of 17 U.S.C. §§101(e) and 104.

LAWTON & CATES

BRUCE F. EHLKE
110 East Main Street
Madison, Wisconsin 53703

Attorney For Plaintiffs

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF WISCONSIN

DAVID L. HEILMAN and
E-C TAPE SERVICE, INC.,
A Wisconsin Corporation,

Plaintiffs,

-vs-

EDWARD H. LEVI, Attorney General of the United States of America, his agents, servants, employees, attorneys, successors and all those persons in active concert or participation with them,

Defendants.

AFFIDAVIT IN SUPPORT OF MOTION FOR PRELIMINARY INJUNCTION

Case No. 75-C-117

STATE OF WISCONSIN)
)ss
COUNTY OF MILWAUKEE)

DAVID L HEILMAN, being first duly sworn, on oath deposes and says as follows:

1. That he is one of the Plaintiffs in the foregoing action and that he resides at 15660 Pomona Road, Brookfield, Wisconsin.

2. That he was president of the Plaintiff corporation, E-C Tape Service, Inc., at all times material hereto, until April of 1976 when he resigned that position.

3. That the Plaintiff, E-C Tape Service, Inc., is a corporation organized and existing under the laws of the State of Wisconsin and had its corporate headquarters at 3695 North 126th Street, Brookfield, Wisconsin.

4. That E-C Tape Service, Inc. has engaged in the business of producing and marketing original anthologies of musical compositions previously recorded by others.

5. That the anthologies produced by Plaintiffs contain duplications only of selections which were recorded or "fixed" prior to February 15, 1972.

6. That prior to entering into said business activity, affiant sought the advice of counsel concerning the legality of said business, namely John Gower of Green Bay, Wisconsin, and the firm of Whyte and Hirschboeck, S.C. of Milwaukee, Wisconsin, and that each of them advised him that if he tendered for payment the statutory compulsory license fee to the copyright proprietor that the re-recording of said music was not in violation of any federal statute.

7. That the underlying musical compositions of selections used in affiant's anthologies are protected by composition copyright subject to the compulsory license provision of 17 USC §1(e).

8. That with respect to all selections used by Plaintiffs, Plaintiffs have paid or tendered to the composition copyright holder the two cents royalty as required by 17 USC §1(e).

9. That of the composition copyright holders whose compositions have been used in Plaintiff's anthologies, 27 have accepted said royalty payments while 127 have refused to accept said payments.

10. That 17 USC was amended by P.L. 92-140, 17 USC 101(e) on October 15, 1971, and became effective on February 15, 1972, and created a limited copyright in sound recordings.

11. That after passage of P.L. 92-140, affiant sought the advice of Whyte and Hirschboeck, S.C, who advised him that sound recordings originally made prior to February 15, 1972, were not afforded copyright protection under federal law and that P.L. 92-140 did not change this and that E-C Tape's activities were still not in violation of any federal law.

12. That the Government Regulations Section, Criminal Division of the United States Department of Justice, was of the same opinion when it published a pamphlet entitled, "Copyright Protection of Sound Recordings", dated April, 1973, and that a copy of the text of said pamphlet and P.L. 92-140 are attached hereto as Exhibit "A" and made a part hereof as if set forth at length.

That within Exhibit "A" it is stated in part as follows:

a) Page 3: "A sound recording is eligible for copyright protection only if the sound recording is fixed and first published with the required statutory copyright notice on or after February 15, 1972. P.L. 92-140, Section 3."

Fixation. "A series of sounds constituting a sound recording is fixed when that complete series is first produced on a final master recording from which copies can be made." 37 C.F.R. 202.15a(b).

b) Page 4: "Effective date. The enactment does not apply retroactively and does not affect in any way rights with respect to sound recordings fixed before February 15, 1972. Thus, P.L. 92-140 does not prohibit the unauthorized copying of sound recordings fixed before February 15, 1972 "

c) Page 9: "First no Federal copyright violation can exist under P.L. 92-140 unless the sound recording copied was fixed and published on or after February 15, 1972. This automatically excludes such albums as 'Golden Hits of the 60's','Frank Sinatra's Greatest Hits' and 'White Christmas' by Bing Crosby, etc., which were obviously fixed and published before February 15, 1972."

d) Page 13: "To receive Federal copyright protection, a sound recording must be finally fixed and published with proper notice of copyright on or after February 15, 1972. Supra, Section c(1). Proof of fixation and publication may be provided by a recording industry representative."

13. That affiant's experience in the recording industry spans a period of over six years, during which time he has produced records and tapes and marketed records and tapes throughout the United States.

14. That based on affiant's experience in the recording industry, it is common practive for an individual composer to sell his composition to a publishing company. The publishing company in turn attempts to induce a recording company to record the composition. Commonly, a recording company will own, as subsidiaries, one or more publishing companies. Thus, frequently, as to a given recording, any rights in the recording itself and the composition copyright are subjects of common ownership.

15. That in the last ten years the major recording companies have gained control of 80% of the major copyrights of musical compositions by purchasing the large publishing houses or exercising control in other ways.

16. That many of the major recording companies intentionally conceal evidence of their control over the publishers.

17. That the above captioned action was commenced on March 7, 1975, for declaratory and injunctive relief enjoining any criminal prosecution for alleged violations of 17 USC §§101(e) and 104.

18. That on February 11, 1977, Assistant U.S. Attorney William E. Callahan, Jr., in response to a question from this Court, indicated that no criminal action would be brought against affiant for alleged violations of 17 USC §1, 101(e) and 104.

19. That an indictment was filed on March 31, 1977, in the Northern District of Illinois, Eastern Division, charging affiant with twenty-six counts in violation of 17 USC §§1, 101(e) and 104; and an additional, related ten counts in violation of 18 USC §1341, and that a copy of this indictment is attached hereto as Exhibit "B" and made a part hereof.

20. That there was a delay of twenty-two and one-half months between May 15, 1975, the date of the alleged offenses and March 31, 1977, the date on which the indictment was returned, which delay was unnecessary and attributable solely to the government.

21. That a result of the delay on the part of the government to prosecute him, affiant has suffered substantial prejudice for the following reasons:

a) That his assets have been depleted during said period of time by civil litigation with the record industry and he no longer has funds with which to defend himself which would have been available to him had the prosecution been brought on without unreasonable delay.

b) That he believes said delay was part of a deliberate, purposeful and oppressive design for delay on the part of the government to hinder him in his defense of this action.

c) That he would have appealed the decision in E-C Tape v. Kelly, (N.D. Ill, 1975) 412 F. Supp. 249, had he known that the government intended to prosecute him criminally in the future.

22. That the following publishers listed in the indictment are owned or controlled by the following record companies:

a) Jobete Music Company is owned or controlled by Motown Records.

b) Warner-Tamberlane Publishing Corp. is owned or controlled by Warner-Electra-Atlantic Records.

c) Chapel Music Co. is owned or controlled by Polygram Records, Inc.

d) Warner Bros., Inc., is owned or controlled by Warner-Electra-Atlantic Records.

e) Viva Music, Inc. is owned or controlled by A & M Records.

f) Jondora Publishing Co. is owned or controlled by Fantasy-Prestige Records.

g) Elvis Presley Co. is owned or controlled by RCA Records.

h) Hill and Range Songs, Inc. is owned or controlled by RCA Records.

23. That at the present time, there is no motion for preliminary injunction pending before this Court.

24. That there is no motion for a preliminary injunction pending before this Court because affiant has relied on the representation of the Office of the United States District Attorney as referred to in Paragraph 18 above, as well as on the government pamphlet entitled "Copyright Protection of Sound Recordings" as referred to in Paragraph 12 above.

25. That affiant faces a possible fine of $25,000 and one year of imprisonment for alleged copyright infringements under 17 USC §104.

26. That affiant faces a possible fine of $1,000 or five years of imprisonment for alleged violations of 18 USC §1341.

27. That as a result of said pending prosecutions, affiant has incurred large expenses for attorneys fees.

28. That as a result of said pending prosecutions, affiant has had to spend much of his time in court and in preparation for litigation.

29. That as a result of said pending prosecutions and possible penalties, affiant and his family have suffered mental anguish.

30. That this Affidavit is in support of a Motion For Preliminary Injunction.

Dated this 20th day of June, 1977.

/s/ David L. Heilman
DAVID L. HEILMAN

Subscribed and sworn to before me
this 20th day of June, 1977.

/s/ Thomas M. Kelly
Notary Public, State of Wisconsin
My Commission is permanent

U. S. Dist. Court East Dist. WI
FILED
JUL 14 1977
at _____ o'clock _____ A
RUTH W. LA FAVE, Clerk

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF WISCONSIN

DAVID L. HEILMAN and E-C TAPE SERVICE, INC., a Wisconsin corporation,

Plaintiffs,

v.

GRIFFIN B. BELL, Attorney General of the United States of America, his agents, servants, employes, attorneys, successors and all those persons in active concert or participation with them,

Defendants.

DECISION AND ORDER

Civil Action
No. 75-C-117

In this action, plaintiff duplicators seek the following relief: a declaration that 17 U.S.C. §§ 1(e), 101(e), and 104 are inapplicable to duplicators of songs fixed prior to February 15, 1972, who tender the two-cent royalty to the composition copyright holder; a declaration that an interpretation of those statutes which make the plaintiffs criminally liable for duplicating sound recordings of songs fixed prior to February 15, 1972, renders the statutes unconstitutional; and an injunction restraining the defendant U. S. Attorney General, his agents and successors, from seizing the records and tapes of the plaintiffs and from prosecuting the plaintiffs for alleged violations of 17 U.S.C. §§ 101(e) or 104. Jurisdiction is present under 28 U.S.C. §§ 1331 and 2201. The matter is before the court on cross motions for summary judgment. For the reasons which follow, the defendants' motion will be granted and the plaintiffs' motion will be denied.

Both the facts in this matter and the position of the Court on the legal issues raised herein have already been fully detailed in the decision and order of this Court rendered April 28,

1975. At that time, this Court denied plaintiffs' motion for a temporary restraining order and a preliminary injunction and plaintiffs' request for the convening of a three-judge court. See Heilman v. Levi, 391 F.Supp. 1106 (E.D. Wis. 1975). There this court relied on four circuit cases[1] and determined that tape duplicators are not entitled to avail themselves of the compulsory licensing provision of 17 U.S.C. § 1(e) because such duplication does not constitute a "similar use" of the composition and therefore their activities constitute infringement of the composition copyright. The Court also determined that 17 U.S.C. § 101(e), which imposes criminal sanctions pursuant to 17 U.S.C. § 104 as to cases of "willful infringement for profit," embraces tape duplicators who tender the compulsory licensing fee. Furthermore, the Court concluded that the meaning of "unauthorized" as used in § 101(e) is not so uncertain as to render the statute unconstitutionally vague, and that the public notice given the plaintiffs in January of 1975 through the trade press of the prospective operation of the defendants' decision to prosecute tape duplicators did not violate any of plaintiffs' due process rights.

The Court is mindful that the mere fact that a plaintiff's motion for a preliminary injunction is denied does not in itself entitle the defendant to summary judgment. See 6 Part 2 Moore's Federal Practice ¶ 56.17[30] (1976). However, the Court in its earlier decision made an exhaustive study of the development, amendments, and interpretation of the federal copyright statutes involved. An examination of plaintiff Heilman's affidavit and the various exhibits and briefs filed in support of and in opposition to the motions for summary judgment indicate that there has been no change in the facts of this case nor in the applicable law which would warrant a change in the Court's position. In fact, recent developments in the law with regard to cases seeking to enjoin the Attorney General from prosecuting tape duplicators for copying recordings fixed prior to February 15, 1972, have

reinforced the defendants' position. See International Tape Distributors, Ltd. v. Levi, 188 U.S.P.Q. 539 (D. D.C. 1975); Stereo Tape Associates v. Levi, No. G 75-167 (W.D. Mich., May 14, 1976); Stereo Tape Associates v. Levi, No. 5-70687 (E.D. Mich., April 7, 1976); E-C Tape, Inc. v. Kelly, 412 F.Supp. 245 (N.D. Ill. 1975); and Gramuglia v. Levi, No. 75-CV-549 (N.D. N.Y. July 13, 1976).

At the preliminary injunction stage of this litigation, there were no genuine issues of material fact, nor are any such factual disputes presented at this time that would preclude the granting of summary judgment. See Rule 56(c), Fed. R. Civ. P. Then, as now, plaintiffs admitted copying recordings fixed prior to February 15, 1972, without authorization of the composition copyright holder.

The plaintiffs' principal argument at this time is that the decisions of the four circuits previously relied upon--Fame, Jondora, Marks, and Duchess (cited in footnote "1")--are in error, and as they are not binding on this court, plaintiffs urge the Court to re-evaluate its prior position. Plaintiffs argue that they are not tape pirates in the usual sense of the term because they copy only older record selections, many of which are commercially unavailable, and because they offer the records in an anthology form centered around a particular theme. Plaintiffs contend that because they offer the customer something new, and because their customers are interested in the anthology rather than the individual selection, they are not depriving other manufacturers of a portion of their profit on successful records. Even assuming that the customer is more interested in the anthology than in the individual selections, and that in fact other manufacturers are not deprived of profits because the records are commercially unavailable otherwise, plaintiffs have misstated the issue. The issue is not whether the plaintiffs are original or creative in their arrangement of record anthologies, nor whether plaintiffs

directly or indirectly compete with other recording companies. The issue is whether the plaintiffs in the first instance have the right to copy sound recordings fixed prior to February 15, 1972, without the authorization of the composition copyright holder. This Court finds no relevance to the plaintiffs' later arrangement of the duplicated songs. Originality of the anthologized arrangement, that is, of the sequence of the various recordings, does not negate the requirement of first obtaining authorized permission from the copyright holder before duplicating the recording. Whether, once the anthologizer has obtained the requisite permission to copy the various recordings contained in the anthology, he is then entitled to copyright protection as to the original arrangement of the anthology is a separate matter which need not be considered here.

Secondly, plaintiffs have argued that this Court's interpretation of 17 U.S.C. § 1(e), the compulsory licensing section, thwarts the purpose of compulsory licensing by fostering monopoly in the recording industry. The granting of any copyright does create a limited monopoly which is designed to benefit long-term competitive interests. One commentator has remarked:

> "* * * The Constitution's authorization to Congress to grant patent and copyright protection represents a judgment that, although short-range competitive interests would benefit from immediate and free public access to technological and artistic innovation, to permit such access would destroy incentive to innovate; new products and works would not be introduced into the market and consequently the long-range competitive situation would decline. The patent and copyright statutes, each in its own way, strike a balance between these long- and short-range competitive interests. * * *"[2]

Accordingly, the compulsory license provision has been interpreted to permit numerous artistic interpretations of a single written composition, but not to permit the use of a recording of the composition. See Shaab v. Kliendienst, 345 F.Supp. 589, 590 (D.D.C. 1972); Jondora Music Publishing Co., Inc. v. Melody Recordings, Inc., 506 F.2d 393, 395 (3rd Cir. 1974), cert. denied 421 U.S. 1012 (1975).

Along the same lines, the plaintiffs argue that because frequently the large record companies own the publishing houses which have control of the composition copyright, impermissible tying arrangements result akin to those condemned under antitrust laws. Plaintiffs assert that due to an oligopolistic recording industry, the uncopyrighted product--the performance--is tied to the copyrighted product--the composition. This argument is answered in the same way as the prior argument: new renditions of the copyrighted composition are permitted, but mere copies of past performances are prohibited. There is no analogy to impermissible tying. To the extent that the plaintiffs attack the recording and publishing industries as oligopolistic, the proper remedy lies in an action for violations of the antitrust laws.

Thus, the plaintiffs have advanced no arguments or facts which have persuaded this Court to depart from its earlier announced conclusion that as a matter of law plaintiff duplicators may not avail themselves of the compulsory licensing provision of 17 U.S.C. § 1(e) to avoid civil or criminal sanctions under the Copyright Act, and that criminal sanctions imposed pursuant to 17 U.S.C. §§ 101(e) and § 104 embrace tape duplicators who tender the compulsory licensing fee. Plaintiffs admit that they were given public notice in January of 1975 via the trade press of the defendants' decision to prosecute tape duplicators. The defendants' decision to prosecute operated prospectively and was based on the unanimous interpretation of the four circuit courts of appeal which considered the question of the availability of 17 U.S.C. § 1(e) to tape duplicators. The defendants have not violated any of the plaintiffs' constitutional rights.

IT IS THEREFORE ORDERED that defendants' motion for summary judgment be and it hereby is granted.

IT IS FURTHER ORDERED that plaintiffs' motion for summary

judgment be and it hereby is denied.

Dated at Milwaukee, Wisconsin, this 14 day of July, 1977.

Chief U. S. District Judge

FOOTNOTES

1. Fame Publishing Co., Inc. v. Alabama Custom Tape, Inc., 507 F.2d 667 (5th Cir. 1975), cert. denied, 423 U.S. 841 (1975); Jondora Music Publishing Co., Inc. v. Melody Recordings, Inc., 506 F.2d 393 (3rd Cir. 1974), cert. denied, 421 U.S. 1012 (1975); Edward B. Marks Music Corp. v. Colorado Magnetics, Inc., 497 F.2d 285 (10th Cir. 1974), cert. denied, 419 U.S. 1120 (1975); and Duchess Music Corp. v. Stern, 458 F.2d 1305 (9th Cir. 1972), cert. denied, 409 U.S. 847 (1972).

2. Goldstein, "The Competitive Mandate: From Sears to Lear," 59 Calif. L. Rev. 873 (1971).

U. S. Dist. Court East Dist. Wis.
FILED

UNITED STATES DISTRICT COURT JUL 14 1977

EASTERN DISTRICT OF WISCONSIN at _____ o'clock _____ M
RUTH W. LA FAVE, Clerk

DAVID L. HEILMAN and
E-C TAPE SERVICE INC.,
a Wisconsin corporation,

Plaintiffs,

v.

GRIFFIN B. BELL, Attorney General of the United States of America, his agents, servants, employes, attorneys, successors and all those persons in active concert or participation with them,

Defendants.

O R D E R

C.A. No. 75-C-117

Plaintiffs have filed a motion for a preliminary injunction seeking to enjoin prosecution of the plaintiffs in the Northern District of Illinois, Eastern Division, or any other forum for alleged violations of 17 U.S.C. §§ 1, 101(e) and 104, and 18 U.S.C. § 1341, pending final disposition of the above-captioned action, in which plaintiffs sought a declaratory ruling and injunctive relief against threatened prosecution of the plaintiffs for alleged violations of 17 U.S.C. §§ 101(e) and 104.

In view of the granting of defendants' motion for summary judgment and the denial of plaintiffs' motion for summary judgment on July 14, 1977, the plaintiffs' motion for a preliminary injunction is dismissed as moot.

IT IS THEREFORE ORDERED that plaintiffs' motion for a preliminary injunction be and it hereby is dismissed as moot.

Dated at Milwaukee, Wisconsin, this 14 day of July, 1977.

Chief U.S. District Judge

JUDGMENT ON DECISION BY THE COURT — CIV 32 (7-63)

United States District Court

FOR THE

EASTERN DIST. OF WIS.

DAVID L. HEILMAN and E-C TAPE SERVICE, INC., a Wisconsin corporation

vs.

GRIFFIN B. BELL, Attorney General of the United States of America, his agents, servants, employees, attorneys, successors and all those persons in active concert or participation with them

CIVIL ACTION FILE NO. 75-C-117

JUDGMENT

This action came on for ~~trial~~ (hearing) before the Court, Honorable JOHN W. REYNOLDS, United States District Judge, presiding, and the issues having been duly ~~tried~~ (heard) and a decision having been duly rendered, and the court having granted on cross motions for summary judgment defendants' motion for summary judgment

It is Ordered and Adjudged that the plaintiffs take nothing, and that the action be dismissed on the merits.

U.S. DIST. COURT EAST. DIST. WISC.
FILED
JUL 14 1977
at ____ o'clock ____ M
RUTH W. LA FAVE, CLERK

Dated at Milwaukee, Wisconsin, this 14th day of July, 1977.

RUTH W. LA FAVE
Clerk of Court

by: Ira Bayese
Deputy Clerk

In the

United States Court of Appeals

For the Seventh Circuit

No. 77-1968

DAVID L. HEILMAN, and E-C TAPE SERVICE, INC., a Wisconsin Corporation,

Plaintiffs-Appellants,

v.

GRIFFIN B. BELL, Attorney General of the United States of America, his agents, servants, employees, attorneys, successors and all those persons in active concert of participation with them,

Defendants-Appellees.

Appeal from the United States District Court for the Eastern District of Wisconsin.
No. 75-C-117—**John W. Reynolds**, *Chief Judge.*

ARGUED FEBRUARY 21, 1978—DECIDED SEPTEMBER 6, 1978

Before FAIRCHILD, *Chief Judge*, CASTLE, *Senior Circuit Judge*, and SWYGERT, *Circuit Judge*.

CASTLE, *Senior Circuit Judge*. This appeal presents to this court for the first time an issue which has already been decided by four other circuits: whether the compulsory license provision of the Copyright Act of 1909 can be used to prevent tape duplication of musical recordings. The district court followed the result reached by all of the other circuit courts and by several

federal district courts in holding that tape duplicators cannot avoid copyright infringement under the compulsory license provision of the 1909 Act. We affirm.

I.

The facts of this case are not in dispute. Plaintiff David L. Heilman was president of E-C Tape Service, Inc. which sold tape and record "anthologies" consisting of popular music selections originally recorded prior to February 15, 1972. E-C Tape would obtain the original recordings of the desired musical selections, duplicate them onto blank records and tapes, and then sell the duplications as part of a "new" package at prices approximately equal to that of the original recordings.

In 1975 the United States Attorney General announced that he intended to prospectively prosecute such duplicators, or "tape pirates," for willful infringement of the federal copyright laws. 17 U.S.C. §§ 1(e), 101(e), and 104.[1] After receiving this notice, plaintiffs brought this suit seeking a declaratory judgment that these duplications did not violate the copyright laws and an injunction prohibiting any future prosecution. In support of their request, plaintiffs noted that under the 1909 Act, it is settled that only the musical composition, and not the recording thereof, is subject to copyright protection. Further, once the composer authorized the mechanical recording of his composition, the so-called "compulsory license" provision of § 1(e) allowed anyone else to make "similar use" of the copyrighted composition upon giving appropriate notice and paying a royalty of two cents to the composer for each copy of the new recording produced. Although Congress amended the copyright laws in 1971 to provide protection for the recording itself, in this case the plaintiffs were careful to duplicate only those selections originally recorded before the February 15, 1972 effective date of that

[1] A complete revision of the federal copyright laws was enacted October 19, 1976 to become efective January 1, 1978. All citations in this opinion refer to the law prior to January, 1, 1978.

amendment. Consequently, plaintiffs contend that since they gave notice and tendered the royalty payments, they did not infringe upon the composition copyright.

The district court for the Eastern District of Wisconsin denied plaintiffs' request for a temporary restraining order, preliminary injunction and the convening of a three-judge court. 391 F.Supp. 1106. Subsequently, criminal proceedings were filed against plaintiffs in the Northern District of Illinois. On July 14, 1977, the Eastern District of Wisconsin district court granted the government's motion for summary judgment. 434 F.Supp. 564. This appeal followed.

II.

Plaintiffs' main contention is that they have satisfied the compulsory license requirements of § 1(e) and therefore cannot be prosecuted for copyright infringement. As noted above, four circuit courts have addressed the precise issue of whether tape duplicators can avoid copyright infringement by giving notice and paying the two-cent royalty. *Fame Publishing Co., Inc. v. Alabama Custom Tape, Inc.*, 507 F.2d 667 (5th Cir.), *cert. denied*, 423 U.S. 841 (1975); *Jondora Music Publishing Co., Inc. v. Melody Recordings, Inc.*, 506 F.2d 392 (3d Cir. 1974), *cert. denied*, 421 U.S. 1012 (1975); *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc.*, 497 F.2d 285 (10th Cir. 1974) (*en banc*), *cert. denied*, 419 U.S. 1120 (1975); *Duchess Music Corp. v. Stern*, 458 F.2d 1305 (9th Cir.), *cert. denied*, 409 U.S. 847 (1972). In each case, the court held that the compulsory license provision of § 1(e) was not available to tape duplicators. We adhere to the reasoning of those courts.

As noted above, under the compulsory license provision of the 1909 Act, once the composer authorizes the first recording of the copyrighted composition, anyone who satisfies the notice and royalty requirements can make similar use of the composition. The crucial question in this case is whether duplication is a "similar use." The reasoning of the duplicators, as expressed by Professor Nimmer, is that

> the only portion of that which has been duplicated which is protectible under the Copyright Act is the

musical composition itself, which is authorized for use for recording purposes upon payment of the statutory royalties.

NIMMER ON COPYRIGHT, § 108.4621 at 431 (1976). The problem with this view is that it overgeneralizes the scope of the compulsory license entitlement by interpreting "similar use" as the equivalent of all "recording purposes." However, careful emphasis must be placed upon the words "similar use" in order to adequately protect the composer-copyright holder's protected interest. The statutory scheme gives the composer the first opportunity to benefit from his original composition. This includes the right to gain from the initial recording contract, the terms of which will be dependent upon the recorder's costs in making the recording (for example the cost of hiring musicians and artists, and using recording equipment) and upon the profits from selling copies of the recording.

Once the copyright holder has benefitted by making a recording of the composition, he must permit others who pay the statutory royalty to similarly use the composition, i.e., to "make a recording." However, duplicating a recording is not similar to making a recording of the composition. The duplicator does not take the composition as "raw material" and go through the creative and financial steps of producing a recording. *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc., supra* at 288. The only similarity is in the end product which is based upon the composition. There is no similarity in the "use" of the composition.[2] Also, while the difference

[2] Judge Weis of the Third Circuit gave an accurate example of this distinction:

> To put the concept in a different setting—the court reporter, who listens to the sound of a witness's voice, makes notes on a stenotype machine and then types the words on sheets of paper, makes use of the witness's oral statements. A person who simply photocopies the transcript does not make the same or a similar use of the witness's voice sounds.

Jondora Music Publishing Co., Inc., v. Melody Recordings, Inc., supra at 395 n.10.

between making a recording and duplicating a recording (making a recording of a recording) may seem negligible semantically, the impact of the latter upon the copyright interest of the composer is clear. The copyright holder's benefit is substantially reduced by the inevitable lower profits which result from duplicators who can re-record for a fraction of the original cost and thus undersell the authorized recorder. Plaintiffs' argument that the composer-copyright holder's interest is protected by the two-cent royalty payment is unconvincing. Accepting that position would distort the statutory scheme since it would force the composer to forego the full benefit of the presumably more lucrative arrangement with the first recorder. Thus, we find that the plaintiffs' duplication of the original recordings is not a "similar use" within the meaning of § 1(e).[3]

Although plaintiffs and the dissenting opinions in the four prior circuit court cases dispute this interpretation of "similar use," we find their arguments unpersuasive. First, our interpretation effectuates the dual purposes of the compulsory license provision: to encourage creativity by ensuring first recording benefits would accrue to the composers and to avoid a monopoly whereby copyright holders could exclusively and indefinitely control who would record their copyrighted compositions. *Fame Publishing Co., Inc. v. Alabama Custom Tape, Inc., supra* at 670. Our holding continues to avoid complete composer control over who may record since

[3] We take note of the statement of plaintiff Heilman that composers often sell their compositions to publishing companies who are in turn owned by recording companies. (Heilman Affid. ¶14). Thus, a recorder is also the copyright holder in many instances. We do not see why the recorder as successor in interest should enjoy any less rights under a valid copyright than the composer. However, even if the copyright protection of the composition did diminish after assignment, the interest of the composer secured by the copyright law would still be harmed should the authorized recording be duplicated. This follows since the composer would not be able to demand as high a price for selling the composition for recording if the recorder's profits could be diminished by duplication. Therefore, we do not distinguish between the copyright holder as composer or recorder.

anyone who satifies the notice and royalty provisions is free to hire musicians, artists, and equipment and make a recording of a previously recorded composition. However, our holding also protects the composer-copyrightholder who can realize the full benefit of his arrangement with the recorder of the original version.

Second, we recognize that certain congressional reports on the 1971 amendments to the Copyright Act indicate that some members believed there was no action for copyright infringement available against duplicators prior to the creation of a copyright interest in the recording itself. S. Rep. No. 92-72, 92d Cong., 1st Sess. (1971); H.R. Rep. No. 92-487, 92d Cong., 1st Sess. (1971); 1971 U.S. Code Cong. & Admin. News 1567.[4] However, we are not bound by congressional interpretation of a prior existing law. *United States v. Southwestern Cable Co.*, 392 U.S. 157, 170 (1968). This is particularly true given the substantial length of time between the congressional session which produced the 1909 Act and that which produced the amendments of 1971. *Edward B. Marks Music Corp. v. Colorado Magnetics, Inc., supra* at 289. Moreover, Congress must necessarily deal with broad policy questions and, consequently, was free to determine that additional protection was needed to protect the recordings themselves. The fact that the 1971 amendments afforded such protection, however, does not interfere with our holding on the narrow issue as to what constitutes "similar use" with respect to protection of the composition.

[4] Subsequently, according to reports published during consideration of the 1976 amendments to the federal copyright laws, congressional interpretation of the 1909 Act shifted:

> The basic intent of this sentence is to make clear that a person is not entitled to a compulsory license of copyrighted musical works for the purpose of making an unauthorized duplication of a musical sound recording originally developed and produced by another. It is the view of the Committee that such was the original intent of the Congress in enacting the 1909 Copyright Act, and it has been so construed by the 3rd, 5th, 9th, and 10th Circuits . . .

H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 108; 1976 U.S. Code. & Admin. News 6153.

Third, our holding is supported by the overwhelming weight of judicial authority. In addition to the four circuit court cases noted above, several federal district courts have also concluded that the compulsory license provision of § 1(e) is not available to tape duplicators. *E-C Tapes, Inc. v. Kelly*, 412 F.Supp. 245, 248 (N.D. Ill. 1975); *International Tape Distributors, Ltd. v. Levi*, 188 U.S.P.Q. 539 (D.D.C. 1975). *See also Stereo Tape Associates Inc. v. Levi*, (W.D. Mich. May 14, 1976, Civ. No. 75-167); *Stereo Tape Associates, Inc. v. Levi*, (E.D. Mich. November 7, 1975, Civ. No. 5-70687); *United States v. Bodin*, 375 F.Supp. 1265, 1269 (W.D. Okla. 1974); *Aeolian Co. v. Royal Music Roll Co.*, 196 F. 926, 927 (W.D. N.Y. 1912). Plaintiffs' citation of *Goldstein v. California*, 412 U.S. 546 (1973), is misplaced. In that case, the Supreme Court was concerned with whether the supremacy clause barred states from protecting the recording itself from tape duplicators. In contrast, here we are dealing with the copyright interest of the composer-copyrightholder and not the interest of the recorder alone. Consequently, we agree with earlier courts that *Goldstein* is distinguishable. *Jondora Music Publishing Co., v. Melody Recordings, Inc., supra* at 396 & n.12.

We also find no merit in plaintiffs' argument that they were making a new product by arranging the duplications in an anthology format. According to this argument, plaintiffs would also be free to make a copy of a copyrighted nonrecorded composition, which would not be subject to the § 1(e) proviso, and publish it in a book of sheet music with other compositions provided they could point to a central organizing theme. Such a result is obviously improper under the copyright laws. Nor do we accept plaintiffs' policy argument that they assist the public in obtaining older selections which were unavailable or unavailable in a certain medium. If a market exists for these selections, plaintiffs should be able to negotiate with the copyright holder to duplicate the recordings at a fair price. Therefore, we find that the compulsory license provision of the 1909 Act does not protect the plaintiff duplicators from infringing the copyright in the composition.

III.

In the course of finding the compulsory license provision of § 1(e) to be unavailable to plaintiffs, we have substantially answered the second issue in this case: criminal charges under 17 U.S.C. §§ 101(e) and 104 may be brought against tape duplicators who have attempted to comply with § 1(e). This follows since § 101(e) clearly states that "interchangeable parts" such as tapes and record discs are to be considered copies of the copyrighted composition for purposes of copyright infringement. § 101(e) further provides that the "unauthorized manufacture, use, or sale of such interchangeable parts shall constitute infringement of the copyrighted work." Since there was no express authorization and the § 1(e) compulsory license is unavailable, plaintiffs were "unauthorized" and, consequently, subject to all remedies relating to infringement including criminal penalties under § 104.

Plaintiffs' main argument on this issue is that this conclusion is improper given the changing state of the copyright laws in recent years. Plaintiffs contend that the criminal penalties for infringement of musical composition copyrights were added to § 101(e) with the amendments of 1971 which, as noted above, was a time when Congress felt duplicators could not be infringers if they complied with § 1(e). Accordingly, plaintiffs reason, Congress only intended for the criminal sanctions to reach those who failed to pay the statutory royalties.

This argument was dealt with in depth by the district court in its denial of plaintiffs' motion for a preliminary injunction. Chief Judge Reynolds reasoned that legislative history normally is consulted only when the statute is unclear and, as noted above, such is not the case with § 101(e). 391 F.Supp. at 1112. *See Stern v. United States Gypsum, Inc.*, 547 F.2d 1329, 1335 (7th Cir.), *cert. denied*, 434 U.S. 975 (1977). Also, the district court noted that by amending § 101(e), Congress was merely expanding remedies for infringement and was not concerned in this section with what constituted infringement. 391 F.Supp. at 1113. We find this reasoning persuasive. We also find guidance in § 3 of the Sound

Recording Act of 1971. That section made the 1971 amendment to § 101(e) effective immediately upon enactment while expressly barring retroactive application only to the amended § 1(f) which gave copyright protection to recordings. Thus, while pre-February 15, 1972 recorders could not claim a copyright interest in their recordings, there is nothing in the statute which prohibits the criminal penalties of §§ 101(e) and 104 from being applied to tape duplicators who have infringed upon the composer's copyright.[5]

For the reasons stated above, the judgment of the district court is affirmed.

AFFIRMED.

SWYGERT, Circuit Judge, dissenting. I respectfully dissent. I am essentially in agreement with the views expressed by Judge Gibbons, dissenting in *Jondora Music Publishing Co. v. Melody Recordings, Inc.*, 506 F.2d 392 (3d Cir. 1974), as well as with Judge Godbold's views, dissenting in *Fame Publishing Co. v. Alabama Custom Tape, Inc.*, 507 F.2d 667 (5th Cir. 1975).

A true Copy:

Teste:

Clerk of the United States Court of Appeals for the Seventh Circuit

[5] Of course, §§ 101(e) and 104 require proof that the infringement was willful and for profit. We express no opinion on the ability of the government to prove its case in any criminal prosecution.

Opinion by Judge [illegible]
Judge Swygert Dissenting

United States Court of Appeals

For the Seventh Circuit
Chicago, Illinois 60604

September 6, 1978.

Before

Hon. THOMAS E. FAIRCHILD, CHIEF JUDGE

Hon. LATHAM CASTLE, SENIOR CIRCUIT JUDGE

Hon. LUTHER M. SWYGERT, CIRCUIT JUDGE

DAVID L. HEILMAN and E-C TAPE SERVICE, INC., a Wisconsin corporation,
Plaintiffs-Appellants.

No. 77-1968 vs.

GRIFFIN G. BELL, Attorney General of the United States, his agents, servants, employees, attorneys, successors and all those persons in active concert or participation with them,
Defendants-Appellees.

Appeal from the United States District Court for the Eastern District of Wisconsin.
No. 75-C-117
JOHN W. REYNOLDS, JUDGE.

This cause came on to be heard on the transcript of the record from the United States District Court for the Eastern District of Wisconsin, and was argued by counsel.

On consideration whereof, it is ordered and adjudged by this court that the judgment of the said District Court in this cause appealed from be, and the same is hereby, AFFIRMED, with costs, in accordance with the opinion of this court filed this date.

United States Court of Appeals

For the Seventh Circuit
Chicago, Illinois 60604

October 5, 1978.

Before

Hon. THOMAS E. FAIRCHILD, Chief Judge

Hon. LATHAM CASTLE, Senior Circuit Judge

Hon. LUTHER M. SWYGERT, Circuit Judge

DAVID L. HEILMAN, and E-C TAPE SERVICE INC., a Wisconsin Corporation,
Plaintiffs-Appellants,

No. 77-1968 vs.

GRIFFIN B. BELL, Attorney General of the United States of America, his agents, servants, employees, attorneys, successors and all those persons in active concert or participation with them,
Defendants-Appellees.

Appeal from the United States District Court for the Eastern District of Wisconsin.
No. 75-C-117.
John W. Reynolds, Chief Judge

O R D E R

On consideration of the petition for rehearing and suggestion for rehearing in banc filed in the above-entitled cause by plaintiffs-appellants, no judge in active service has requested a vote thereon, and a majority of judges on the original panel have voted to deny the rehearing. Accordingly,

IT IS ORDERED that the aforesaid petition for rehearing be, and the same is hereby, DENIED.

* Circuit Judge Luther M. Swygert voted to grant the petition for rehearing.

Supreme Court, U.S.
FILED
FEB 15 1979
MICHAEL RODAK, JR., CLERK

No. 78-1004

In the Supreme Court of the United States

OCTOBER TERM, 1978

DAVID L. HEILMAN AND E-C TAPE SERVICE, INC., PETITIONERS

v.

GRIFFIN B. BELL, ET AL.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

BRIEF FOR THE RESPONDENTS IN OPPOSITION

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ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

BRIEF FOR THE RESPONDENTS IN OPPOSITION

OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 131-139) is reported at 583 F.2d 373. The opinion of the district court denying preliminary injunctive relief is reported at 391 F. Supp. 1106. The opinion of the district court granting summary judgment (Pet. App. 122-127) is reported at 434 F. Supp. 564.

JURISDICTION

The judgment of the court of appeals was entered on September 6, 1978. A petition for rehearing was denied on October 5, 1978. The petition for a writ of certiorari was filed on December 20, 1978. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

QUESTION PRESENTED

Whether petitioners are entitled to injunctive or declaratory relief to prevent the government from investigating and prosecuting violations by them of the copyright laws.

STATEMENT

Petitioners, a Wisconsin corporation and its president, are in the business of selling tapes and records that they copy from original musical recordings. In March 1975 the Attorney General announced that he intended to prosecute such duplicators or "tape pirates" for willful infringement of the federal copyright laws, 17 U.S.C. 1(e), 101(e) and 104 (Pet. App. 132). After receiving this notice, petitioners filed suit in the United States District Court for the Eastern District of Wisconsin against the Attorney General, seeking declaratory and injunctive relief to bar prosecution. The district court denied petitioners' motion for a preliminary injunction (391 F. Supp. 1106).

In March 1977 an indictment was returned in the Northern District of Illinois charging petitioner Heilman with 26 counts of copyright infringement, in violation of 17 U.S.C. 1(e), 101(e), and 104, as well as 10 counts of mail fraud, in violation of 18 U.S.C. 1341. Subsequently, the Wisconsin district court granted summary judgment in favor of the Attorney General, denying petitioners' claim for declaratory relief and dismissing their claim for an injunction as moot (Pet. App. 122-129). A divided panel of the court of appeals affirmed (Pet. App. 131-139). We summarize its reasoning at pages 5-6, *infra*.

On January 30 and 31, 1979, the Illinois district court held a bench trial on the criminal charges pending against petitioner Heilman. On February 7, 1979, petitioner Heilman was convicted on 18 counts of copyright infringement.[1]

ARGUMENT

1. Petitioners argue that the court of appeals should have ordered the grant of declaratory and injunctive relief (Pet. 10-15). This relief, however, would be extraordinary. Petitioner Heilman has been tried on an indictment charging copyright and mail fraud violations stemming from his record duplication business. His legal arguments concerning the meaning of the copyright laws can be litigated in that forum because the lawfulness of the prosecution "may be determined as readily in the criminal case as in a suit for an injunction" (*Douglas* v. *City of Jeannette*, 319 U.S. 157, 163 (1943)). There is no

[1] The government dismissed the 10 mail fraud counts and 8 copyright counts prior to trial. Sentence has not yet been imposed.

need for an injunction to bar a trial that has taken place. Moreover, because petitioners have not demonstrated that they would suffer any irreparable injury beyond "that incidental to every criminal proceeding brought lawfully and in good faith" (*id.* at 164), it would be inappropriate to grant preliminary relief in the circumstances presented here. Cf. *Hicks* v. *Miranda*, 422 U.S. 332 (1975).

2. In any event, petitioners' contention that they were entitled to copy musical compositions recorded prior to February 15, 1972, so long as they tendered a royalty of two cents per copy to the copyright holder, is incorrect. Four courts of appeals (in addition to the Seventh Circuit) have held that duplicating a recorded composition is an infringement of the composer's copyright under the provisions of the Copyright Act of 1909, and that the compulsory licensing provisions of the statute do not apply to such copying. See *Fame Publishing Co.* v. *Alabama Custom Tape, Inc.*, 507 F.2d 667 (5th Cir.), cert. denied, 423 U.S. 841 (1975); *Jondora Music Publishing Co.* v. *Melody Recordings, Inc.*, 506 F.2d 392 (3d Cir. 1974), cert. denied, 421 U.S. 1012 (1975); *Edward B. Marks Music Corp.* v. *Colorado Magnetics, Inc.*, 497 F.2d 285 (10th Cir. 1974) (en banc), cert. denied, 419 U.S. 1120 (1975); *Duchess Music Corp.* v. *Stern*, 458 F.2d 1305 (9th Cir.), cert. denied, 409 U.S. 847 (1972). No circuit has reached a contrary conclusion. Nothing has changed since this Court's denial of certiorari in *Fame Publishing Co.*, *Jondora Music Publishing Co.*, *Edward B. Marks Music Corp.*,

and *Duchess Music Corp.* that would warrant granting review here. Indeed, the enactment of a new copyright statute has resolved the question definitively. The issue has no continuing importance.[2]

As the court of appeals pointed out, in an opinion on which we generally rely, the Copyright Act of 1909 permits any person tendering a royalty of two cents to make "similar use" of a musical composition after the copyright holder has permitted an initial recording to be made. 17 U.S.C. 1(e). But "similar use" does not include copying the original recording. Rather, the "similar use" principle is intended to permit recording of an independent rendition or performance of the musical composition. The court in *Edward B. Marks Music Corp.* v. *Colorado Magnetics, Inc.*, *supra*, 497 F.2d at 288, properly held that this means that a company "may make its own arrangements, hire its own musicians and artists, and then record. It does not mean that [it] may use the composer's copyrighted work by duplicating and copying the record of a licensed recording company."[3]

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[2] In 1976 the federal copyright law was rewritten, effective January 1, 1978. 90 Stat. 2560. Under the new code duplication of all sound recordings is explicitly prohibited regardless of when the original recording was made. 17 U.S.C. App. 114. Thus, in the future, "tape piracy" clearly will be punishable under the general terms of the new statute.

[3] Contrary to petitioners' assertion, this interpretation is not unfair to companies wishing to produce anthologies of older musical compositions. They are free to produce a new rendition of such compositions under the similar use doctrine. If they wish to make an exact reproduction of a prior record-

The 1971 amendment to the Copyright Act, 17 U.S.C. 1(e), that, effective February 15, 1972, extended copyright protection to records as well as musical compositions, does not change this result. The court of appeals pointed out (Pet. App. 139) that, even though the 1971 amendment may not have granted recording companies a protectible interest in recordings made prior to February 15, 1972, the rights of composers stemming from the original Copyright Act of 1909 have always been subject to protection.[4]

3. Petitioners also contend that application of the Copyright Act to their business is an *ex post facto* enforcement of the law (Pet. 14-16). The Copyright Act was enacted in 1909, however, and that statute created the duty to refrain from making copies of musical recordings in violation of the rights of composers. Moreover, unauthorized duplications of such recordings have been punishable as crimes since 1971. See 61 Stat. 661; Pet. App. 138-139. The indictment of petitioner Heilman here was based on his activities in May 1975. Prior to that time four

---

ing, and if a market exists for such a selection, they "should be able to negotiate with the copyright holder to duplicate the recordings at a fair price" (Pet. App. 137). The holding of the court below simply prevents persons such as petitioners from stealing the talent and investment of others. See *Duchess Music Corp.* v. *Stern, supra*, 458 F.2d at 1311.

[4] Our views in this regard are set out at greater length in the brief we submitted at the Court's request as amicus curiae in *Edward B. Marks Music Corp.*, No. 73-2006, October Term, 1974.

courts of appeals had determined that naked duplication is not a "similar use" entitled to protection under the compulsory licensing provision of the statute, and the Attorney General had given notice of his intention to prosecute in cases of this kind. There is accordingly no basis for the assertion that Heilman's prosecution amounts to a retroactive application of the law or that petitioners did not have fair notice that their conduct was unlawful.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

WADE H. MCCREE, JR.
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FEBRUARY 1979

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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1978

Case No. 78-1004

DAVID L. HEILMAN and E-C TAPE SERVICE, INC., a Wisconsin Corporation,
Petitioners,

vs.

GRIFFIN B. BELL, Attorney General of the United States of America, his agents, servants, employees, attorneys, successors and all those persons in active concert or participation with them,
Respondents.

REPLY BRIEF

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GRIFFIN B. BELL, Attorney General of the United States of America, his agents, servants, employees, attorneys, successors and all those persons in active concert or participation with them,
Respondents.

REPLY BRIEF

INTRODUCTION

As of February 15, 1972, copyright protection for the first time was extended to sound recordings. Pub. L. 92-140, 85 Stat. 391 (Oct. 15, 1971). At the same time Congress made the unauthorized duplication of sound recordings "fixed" after February 15, 1972, a crime.

Prior to this copyright protection only had been available for the underlying musical compositions. The criminal sanction provided for by Pub. L. 92-140 was made "immediately available to prevent *piracy* of already existing recording of copyrighted musical works *where the pirate does not pay the statutory royalty to the holder of the musical copyright.*" H.R. Rep. No. 92-487, 92nd Cong., 1st Sess. 9 (1971) (emphasis added).

In 1973 this Supreme Court, in reviewing the amended copyright law, reached the conclusion that "composers ... have no control over the recordings themselves." *Goldstein v. California,* 412 U.S. 546, 566 (1973). That same year, in April, the United States Justice Department published a pamphlet entitled "Copyright Protection of Sound Recordings," in which it declared that the unauthorized duplication of sound recordings fixed prior to February 15, 1972, was not unlawful. (App. 117-118)

The Brief for the Respondents in Opposition at 2, filed in this case, contains the statement that in "March 1975 the Attorney General announced that he intended to prosecute such duplicators or 'tape Pirates'." The precise nature and substance of this "announcement," however, are not clear, indeed, are not a matter of record in this case.

In September, 1976, Congress again amended the copyright law, Pub. L. 94-553, 90 Stat. 2541 (Oct. 19, 1976), in order to "make clear" that its statutory royalty and compulsory license provisions were not available in connection with the unauthorized duplication of sound recordings, regardless of when fixed. H.R. Rep. No. 94-1476, 94th Cong., 2nd Sess. 107-108 (1976). On March 31, 1977, David Heilman was charged with having

committed a crime in May, 1975, by duplicating certain sound recordings fixed prior to February 15, 1972 (App. 119), notwithstanding that he had paid or tendered payment of the statutory royalty to the composition copyright owners (App. 117).

A number of reasons now are asserted for denying David Heilman's petition for writ of certiorari in this case. Brief for the Respondents in Opposition at 3-7. These reasons are ill-considered illogical, inconsistent with this Supreme Court's interpretation of the copyright law and without merit.

ARGUMENT

The Reasons Advanced For Denial Of A Writ Of Certiorari In This Case Have No Merit.

In the Brief for the Respondents in Opposition at 3-4 it is argued that the meaning of the copyright law can be litigated — presumably along with all other issues there involved, in the criminal prosecution of David Heilman that was commenced while the instant civil action was pending. Besides the fact that that prosecution was commenced notwithstanding representations that it would not be, made by the Attorney General's representative to the District Court below (App. 119), other and unrelated issues necessarily are involved in a criminal case that are not involved here. Such unrelated issues well may serve to confuse the question of statutory construction at issue in this case. Moreover, David Heilman, as a matter of constitutionally secured procedural due process of law, should not be required to endure the vagaries of a criminal prosecution and appeal in order to ask this Court to consider the issues before it now.

It further is argued that no circuits have reached a conclusion contrary to that reached by the Seventh Circuit Court of Appeals in this case. Brief for the Respondents in Opposition at 4. This is not correct:

> "Since a once-recorded composition is available to all third parties 'upon the payment' of a two-cent royalty, manufacture at this point can be 'unauthorized' only in that the third party fails to make the required payments. Thus §101 (e), in treating 'unauthorized manufacture' as infringement, treats nonpayment of the statutory royalty as an act on infringement." *Norbay Music, Inc. v. King Records, Inc.*, 290 F. 2d 617, 620 (2d Cir. 1961).

> "... as far as the copyright law is concerned, even a pirate has the right to record copyrighted musical compositions provided he files notice of intent and pays the royalties." *Miller v. Goody*, 139 F. Supp. 176, 180 fn. 4 (S.D.N.Y. 1956), rev'd on other grounds sub nom. *Shapiro, Bernstein & Co. v. Goody*, 248 F. 2d 260 (2nd Cir. 1957).

More recently, in *American Metropolitan Enterprises of New York, Inc. v. Warner Bros. Records, Inc.*, 389 F. 2d 903 (2nd Cir. 1968), a composition copyright owner sought injunctive relief and damages against a recording company that refused to pay previously agreed upon licensing fees, notwithstanding its use of master recordings containing performances of copyrighted musical compositions by a group, the "Kinks," which included the composer. The Second Circuit Court of Appeals affirmed a lower court decision for the recording company:

> "Since the appellants had 'knowingly acquiesced in the use of the copyrighted work[s],' they no longer have any right to the exclusive use of them. Any person who complies with the compulsory licensing provisions of the Act, may manufacture records containing the thirty-three songs in question without becoming liable as an infringer." *Id.* at 905.

Given the master recordings at issue, the Second Circuit Court of Appeals could not, we repeat, could not have reached this result if it had followed the reasoning of the Seventh Circuit Court of Appeals in the case at hand.

Another argument pressed by the Attorney General is the practical argument that any party wishing to duplicate a composition recorded by, for example, Judy Garland, always can make his own arrangements with her to do so; or can negotiate with the composition copyright owner permission to duplicate a recording previously made by another party. Brief for the Respondents in Opposition at 5-6. Besides the obvious difficulty involved in negotiating with a deceased artist, or any dead person for that matter, and besides the equal difficulty posed by the fact that the composition copyright owners just happen to be owned by the big recording companies (App. 112-113, 118-119), thus rendering successful negotiation of a re-recording agreement with them questionable at best, this Court has said that the composition copyright owners are to have "no control over the recordings themselves." *Goldstein v. California*, 412 U.S. at 566.

Yet another argument advanced by the Attorney General is the argument that the issue in

this case has no continuing importance because since January 1, 1978, the copyright law expressly has prohibited the unauthorized duplication of sound recordings regardless of when fixed. Brief for the Respondents in Opposition at 5. Ignoring the fact that David Heilman is being prosecuted for acts done in 1975, this argument points up the need for this Court to hear this case: David Heilman is the only person in the United States to face criminal prosecution for duplicating sound recordings fixed prior to February 15, 1972. Excerpt of Proceedings [January 30, 1979] at 12, *United States v. Heilman*, Case No. 77-CR-323 (N.D. Ill., filed Mar. 31, 1977) (statement by prosecutor).

It also is argued that the Seventh Circuit Court of Appeals' interpretation poses no ex post facto law enforcement problem, because the copyright law from its inception has prohibited "making copies of musical recordings in violation of the rights of composers." Brief for the Respondents in Opposition at 6. This assertion stands in direct contradiction to this Supreme Court's holding that "composers ... have no control over the recordings themselves." *Goldstein v. California*, 412 U.S. at 566. It also ignores the effect in this case, on David Heilman, of the Attorney General's about face concerning what constituted a criminal duplication of a sound recording prior to the January 1, 1978, clarification of the copyright law.

Finally, the Attorney General argues that there is no ex post facto law problem because in March, 1975, *he* announced an intention to prosecute in "cases of this kind." Brief for the Respondents in Opposition at 7. Besides the fact that this is not of record, it misses the point:

> "It is Congress, and not the prosecution, which establishes and defines offenses." *Sanarbia v. United States*, 98 S.Ct. 2170, 2181 (1978).

It ignores basic principles of our jurisprudence:

> "More fundamentally, the Government's arguments miss the point. The crucial inquiry is not whether Section 22-1115 covers utterances ambivalently, but whether it 'plainly and unmistakably' does so. The governing principle is that penal statutes are to be interpreted with exactitude, a rule deriving sustenance from considerations more ancient than the Nation itself. 'Reasonable precision in the definition of crime has been regarded as a desideratum by free people since the early days of the common law.' *Moreover, the specification of criminal offenses is peculiarly the business, not of courts, but of legislatures.* Criminal statutes are thus 'to be construed strictly, not loosely;' '[s]tatutes will not be read to create crimes ... unless the purpose so to do is plain,' and 'ambiguity' concerning the ambit of criminal statutes 'should be resolved in favor of lenity.'" *Zaimi v. United States*, 476 F. 2d 511, 523-524 (D.C. Cir. 1973) (footnotes omitted) (emphasis added).

It ignores the fact that the ambit of the statutory provision in question here, the precise application and availability of the statutory royalty and compulsory license, was not clarified by Congress until in effect January 1, 1978; and David Heilman is being prosecuted for something he did in May, 1975.

CONCLUSION

The precise bounds of the statutory provision in question, especially as it relates to a criminal prosecution, requires this Supreme Court's attention. The petition of David Heilman for a writ of certiorari in this case should be granted.

Respectfully submitted,

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